

AR45

FALCONBRIDGE NICKEL MINES LIMITED



Annual Report 1975

**FALCONBRIDGE
NICKEL MINES
LIMITED
1975 ANNUAL REPORT**



CONTENTS

SUMMARY

1

DIRECTORS AND OFFICERS

1

REPORT OF THE DIRECTORS

2

AUDITORS' REPORT

6

ACCOUNTING POLICIES

7

FINANCIAL STATEMENTS

8

EIGHT-YEAR REVIEW

22

INTEGRATED NICKEL OPERATIONS

23

MARKETING ACTIVITIES

Falconbridge International Limited

25

MAJOR SUBSIDIARY
AND ASSOCIATED COMPANIES

26

GENERAL INFORMATION

Inside Back Cover

ANNUAL MEETING OF SHAREHOLDERS

THURSDAY, APRIL 8, 1976

10:00 A.M. (TORONTO TIME)

COMMERCE HALL

CONCOURSE LEVEL, COMMERCE COURT

TORONTO, ONTARIO

SUMMARY

	1975	1974
Financial:		
Earnings	\$ 3,221,000	\$ 29,976,000
— per share	\$0.65	\$6.05
Dividends paid per share	\$1.00	\$2.00
Working capital	\$168,438,000	\$198,609,000

Metal sales prices (per pound — U.S. currency):

Electrolytic nickel (at December 31)	\$2.20	\$1.85
Ferronickel (at December 31)	\$2.18	\$1.46
Copper (per London Metal Exchange)		
— January 1	55¢	89¢
— High (1975 — April; 1974 — April)	64¢	\$1.47
— December 31	53¢	56¢

Metal deliveries (pounds):

Nickel in all forms	115,447,000	167,423,000
Copper	140,132,000	153,200,000

FALCONBRIDGE NICKEL MINES LIMITED

DIRECTORS EMERITUS

THAYER LINDSLEY
REGINALD CAMPBELL

BOARD OF DIRECTORS

† F. H. BRANDI,
Former Chairman, Dillon, Read & Co. Inc.

C. F. H. CARSON, Q.C.,
Partner, law firm of
Tilley, Carson & Findlay

JOHN B. CONNALLY,
Partner, law firm of Vinson, Elkins,
Searls, Connally & Smith

* MARSH A. COOPER,
President and Managing Director

† O. D. COWAN,
Chairman, General Impact
Extrusions Ltd.

W. G. DAHL,
Vice-President Marketing

*† NELSON M. DAVIS,
Chairman of the Board,
N. M. Davis Corporation Limited

R. B. FULTON,
President and Chief Executive
Officer, McIntyre Mines Limited

E. L. HEALY,
Executive Vice-President Operations

* W. F. JAMES,
Partner in James & Buffam,
Consulting Geologists

* H. B. KECK,
President, The Superior Oil Company

G. P. MITCHELL,
Vice-President Exploration and Development

J. E. REID,
Vice-President,
The Superior Oil Company

W. I. SPENCER,
President, First National City Bank
and President, Citicorp

OFFICERS AND CORPORATE MANAGEMENT

H. B. KECK,
Chairman of the Board

MARSH A. COOPER,
President and Managing Director

E. L. HEALY,
Executive Vice-President Operations

H. T. BERRY,
Vice-President Metallurgy and Research

W. G. DAHL,
Vice-President Marketing

JAMES HOLMES,
Vice-President Finance

I. H. KEITH,
Vice-President Ferronickel Division

J. E. FINLAY,
Vice-President Nickel Division

J. J. MATHER,
Vice-President Industrial Minerals Division

G. P. MITCHELL,
Vice-President Exploration and Development

J. R. SMITH,
Vice-President Eastern Minerals Division

G. T. N. WOODROOFFE,
Vice-President Corporate Affairs and Secretary

H. L. HICKEY,
Director Public Relations

J. L. MATTHEWS, Q.C.,
General Counsel and Assistant Secretary

KENNETH DUNN,
Controller

N. H. WITHERELL,
Treasurer

A. R. PASIEKA,
Director Mining Engineering and Research

PETER ZAHARUK,
Director General Engineering

* Member of the Executive Committee

† Member of the Audit Committee

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Highlights of 1975

Reduced demand for nickel, low copper prices and a 73-day strike by Production and Maintenance employees at Sudbury Operations combined to make 1975 a difficult year for the Company. In November, in view of the greatly reduced demand for nickel in world markets, the Company found it necessary to initiate a temporary production cutback at its mines and plants of some 30 per cent from the pre-strike level. The operating rate at the Norwegian refinery was reduced as a result of the strike at Sudbury Operations which commenced in August, and refinery production was maintained at about two-thirds of normal capacity for the remainder of the year.

Due to the reduction in operating rates it was necessary to lay off several hundred employees in the Sudbury area and at the Norwegian refinery to adjust the labour force and change to a four-day week at year-end.

In addition, major capital projects at Sudbury (with the exception of the Lockerby Mine) were temporarily suspended. Foremost among these was the \$95,000,000 smelter environmental improvement program, on which a substantial amount of construction work has already been completed.

Throughout the year the Ontario Government and the Company held continuing discussions in an effort to resolve a complex taxation matter. An amendment to a regulation under The Ontario Mining Tax Act, legislated in February, 1975 and made retroactive to April 9, 1974, had disallowed the deduction of foreign processing costs, thereby imposing on the Company an additional tax levy of approximately \$8,000,000 applicable to 1974. An announcement was made by the Ontario Government on December 23, 1975 that the disallowance of foreign processing costs would be deferred for five years.

Other measures on the part of governments late in 1975 will have direct impact on the Company's affairs:

The Ontario Government granted to Falconbridge, effective January 1, 1976, a further four-year exemption from the Ontario requirement to process in Canada ores mined from certain properties of the Company in Ontario.

The Federal Government announced price and income guidelines and established the Anti-Inflation Board to monitor changes in prices, profits, compensation and dividends in relation to the guidelines. The newly elected government of British Columbia has indicated that it will revise the onerous mining legislation enacted by the previous administration.

Additional matters of corporate significance in 1975 included the following:

In September, the base price of electrolytic nickel was increased to U.S. \$2.20 per pound from U.S. \$2.01, and the base price of ferronickel was increased to U.S. \$2.18 per pound from U.S. \$2.01. Significant benefit from these increases did not accrue to the Company in 1975.

The price of copper on the London Metal Exchange continued weak in 1975, averaging U.S. 56 cents per pound for the year as compared with U.S. 93 cents in 1974. The price at the end of the year was U.S. 53 cents per pound.

Nickel deliveries were lower due to the world-wide recession in business. The Company's inventories of finished nickel and ferronickel are considerably higher than at the end of 1974.

Operations in the Sudbury area were adversely affected by the ten-week strike

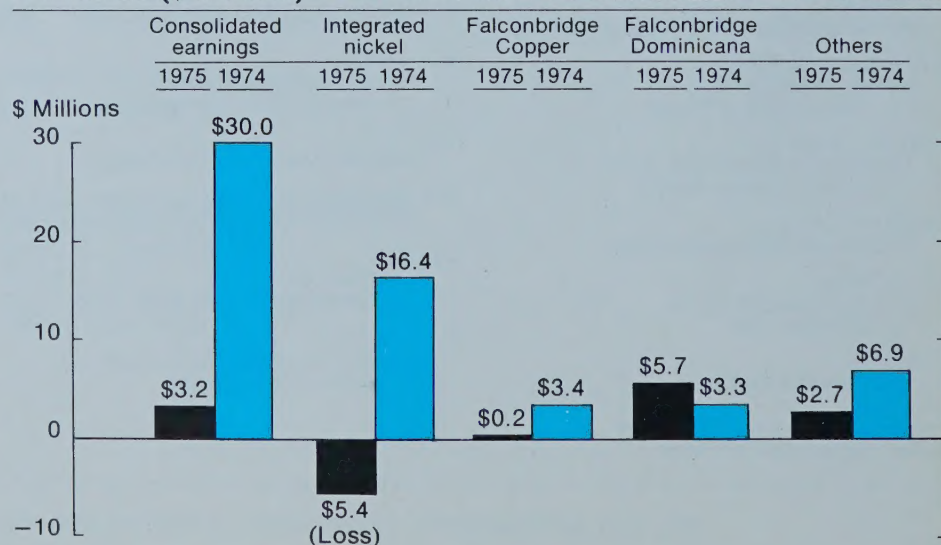
which resulted in significant extra costs being incurred.

The earnings of Falconbridge Dominicana, C. por A. showed improvement over 1974 primarily because of higher prices for ferronickel in 1975. However, ferronickel markets deteriorated appreciably during the latter part of the year. In order to avoid excessive build-up of inventory, during the second half of 1975 the rate of production of ferronickel was decreased to a level more consistent with reduced market demand.

Falconbridge Copper Limited benefited from eleven months' production at the Sturgeon Lake Joint Venture operation although it, along with the Opemiska and Lake Dufault divisions, was adversely affected by low metal prices.

Early in 1975 the shares of Kilembe Mines Limited, a subsidiary of Kilembe Copper Cobalt Ltd., were sold to the Government of Uganda with the consideration payable in four annual instalments of which one has been received. Subsequently, in September, Falconbridge sold all of its shareholdings of Kilembe Copper Cobalt Ltd.; under the terms of the sale Falconbridge is entitled to receive further payments as Kilembe Copper Cobalt Ltd. receives the instalments referred to above.

EARNINGS (\$ Millions) CONTRIBUTION TO CONSOLIDATED EARNINGS



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Sudbury Metals Company, a partnership of Allis-Chalmers Canada Limited and National Steel Corporation of Canada Limited, leased a portion of the nickel-iron pellet refinery for a period of six years for the production of reduced iron pellets using the Allis-Chalmers process.

Consolidated Earnings

Consolidated earnings for the year were \$3,221,000 or 65 cents per share after providing \$8,078,000 for income and mining taxes. The earnings for 1974 have been re-stated to reflect the allowance of foreign processing costs in the calculation of Ontario mining tax. On the re-stated basis the earnings for 1974 were \$29,976,000 or \$6.05 per share after providing \$33,954,000 for income and mining taxes.

Due to many factors, including higher costs of labour and materials, reduced demand for nickel, low copper prices, and strike and production curtailment costs, the Integrated Nickel Operations incurred a loss of \$5,390,000 for the year compared to re-stated earnings of \$16,395,000 in 1974.

Contributions to earnings by subsidiary companies decreased from the previous year's level by \$3,165,000 from Falconbridge Copper Limited, by \$694,000 from Oamites Mining Company (Proprietary) Limited, and by \$2,044,000 from Wesfrob Mines Limited. The contribution to earnings increased by \$2,380,000 from Falconbridge Dominicana, C. por A., by \$1,173,000 from Fahrallloy Canada Limited, by \$345,000 from Indusmin Limited and by \$30,000 from Alminex Limited.

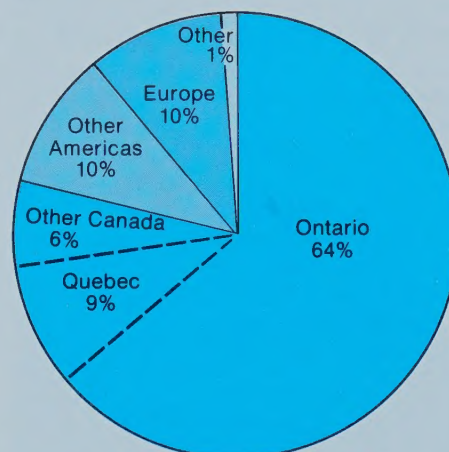
Income from investment in associated and other companies at \$2,349,000 was \$2,424,000 lower than in 1974 due to a reduction in earnings of United Keno Hill Mines Limited and reduced dividends received from Akaitcho Yellowknife Gold Mines Limited and Giant Yellowknife Mines Limited.

Further details of the financial results of companies in the Falconbridge Group appear in Statement 4 on pages 16 and 17 of this report.

Working Capital

Consolidated working capital decreased during the year by \$30,171,000 to \$168,438,000. Funds from operations contributed \$57,383,000 to working capital. Disposals of investments, fixed assets and other items contributed \$9,885,000 including proceeds from the sale of houses in the Sudbury area. Reductions in working capital were caused by: expenditures of \$66,409,000 on property, plant, equipment, development and preproduction;

CONSOLIDATED
CAPITAL
EXPENDITURES
BY GEOGRAPHICAL AREA
1975

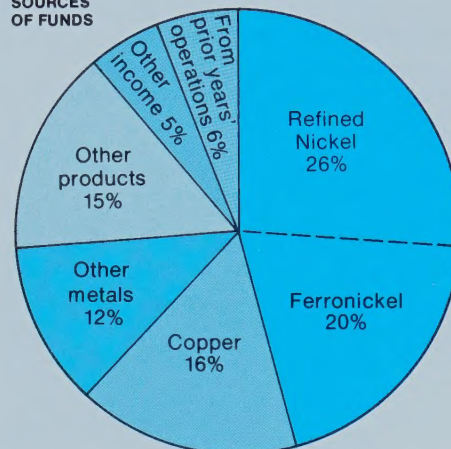


a reduction of long-term debt of \$19,244,000; dividends paid to Company shareholders in the amount of \$4,959,000; dividends paid to and reduction in the interest of minority shareholders in the equity of partially-owned subsidiary companies totalling \$2,235,000; and increase in investment in associated and other companies of \$4,592,000.

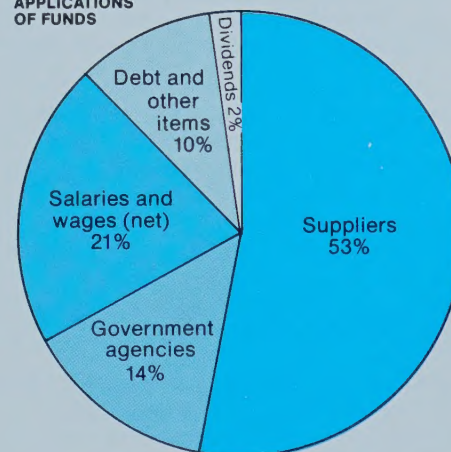
The total funds applied in 1975 approximated \$500,000,000 of which \$30,171,000 originated from prior years' operations. Funds applied to outsiders for operating materials and supplies and fixed assets consumed \$266,000,000 or 53 per cent of funds generated from all

CONSOLIDATED SOURCES
AND APPLICATIONS OF
WORKING CAPITAL (FUNDS)
DURING 1975

SOURCES
OF FUNDS



APPLICATIONS
OF FUNDS



sources. Employees take-home wages and salaries totalled \$104,000,000 or 21 per cent; and in addition to applying funds of \$68,000,000 (14 per cent) to various governments, companies in the Falconbridge Group provided jobs for 11,200 employees and indirectly provided jobs for additional thousands. Only two cents of every dollar utilized went to shareholders for the use of their capital. Although 76 per cent of the sales revenues were derived from exports, less than 35 per cent of all funds utilized went to non-Canadian sources.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Dividend

The directors declared a dividend of 25 cents per share in each of the four quarters of 1975, a total of \$1.00 per share for the year.

Marketing Summary

Metal deliveries (pounds) by the Integrated Nickel Operations and the Ferronickel Division were:

	1975	1974
Refined nickel in		
all forms*	65,177,000	93,595,000
Ferronickel	50,270,000	73,828,000
	<u>115,447,000</u>	<u>167,423,000</u>
Copper*	<u>42,978,000</u>	<u>56,133,000</u>
Cobalt	<u>1,365,000</u>	<u>2,468,000</u>

* Includes nickel and copper refined and delivered on a commission basis.

The table shows clearly the effect of the major world-wide economic recession on the demand for the Company's products.

Deliveries of both refined nickel and ferronickel by Falconbridge Nickel Mines Limited were about 32 per cent below those of the previous year and deliveries of finished copper were about 23 per cent lower.

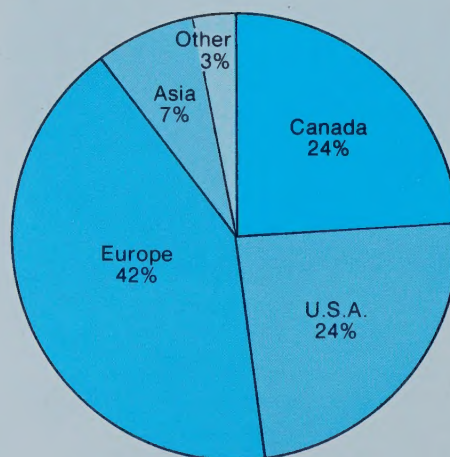
Deliveries of metal in concentrate form by Falconbridge Copper Limited were considerably higher than in the previous year due primarily to output from the Sturgeon Lake Mine, which was in production for eleven months of 1975, and to a lesser extent to slightly increased production from the Lake Dufault and Opemiska Divisions. Deliveries of copper concentrates by subsidiary companies, containing 97,154,000 pounds of copper, were higher than the 1974 quantity of 75,596,000 pounds; (both figures exclude the production of Kilembe Mines Limited). Deliveries of zinc concentrates by subsidiary companies containing 73,767,000 pounds of zinc, increased by 42,929,000 pounds from 30,838,000 pounds in 1974, due almost entirely to Sturgeon Lake.

Although higher prices were received for nickel in all forms and for cobalt, the prices received for other metals were considerably below those of the previous year.

The published base price for Falconbridge electrolytic nickel was increased in September, 1975 by U.S. 19 cents per pound, from U.S. \$2.01 to U.S. \$2.20. The published base price for Falconbridge ferronickel was also increased in September by U.S. 17 cents per pound of nickel content from U.S. \$2.01 to U.S. \$2.18. Due to competitive pricing, significant benefit from these new prices did not accrue to the Company in 1975.

The London Metal Exchange (LME) spot price for copper wirebars moved within narrow bounds in 1975 in comparison with the wide fluctuations prevalent during 1973 and 1974. The LME began the year at U.S. 55 cents per pound, reached a high of U.S. 64 cents per pound in April and dropped to U.S. 53 cents per pound at the end of the year.

**CONSOLIDATED
SALES
REVENUES
BY GEOGRAPHICAL AREA
1975**



Exploration

Consolidated exploration expenditures of Falconbridge and its subsidiary companies were \$11,136,000, a decrease of \$2,615,000 from the \$13,751,000 expended in 1974. Direct expenditures by Falconbridge Nickel Mines Limited and its wholly-owned subsidiaries in 1975 were \$6,979,000, and those attributable to interests in partially-owned subsidiary companies were \$4,157,000.

In the Sudbury area, exploration has continued to maintain the total tonnage of metal in ore reserves. Diamond drilling in the Onaping area has outlined further tonnages in a new zone of above average grade mineralization.

General exploration work in Canada was continued on a normal basis in all areas except Manitoba and British Columbia where expenditures were reduced. A new regional office was opened in St. John's, Newfoundland, to provide more effective coverage of the Maritimes. The regional office in Timmins, Ontario, was closed. Work in the Yukon Territory continued under a joint venture arrangement with United Keno Hill Mines Limited.

In the United States, exploration for gold and silver in Nevada was continued through a joint venture in which Falconbridge has a 50 per cent interest.

Reconnaissance exploration work was undertaken by the Company in northern Alaska.

A small nickel sulphide deposit was discovered in central Norway during the year. Work is continuing in the area of the discovery in an effort to expand potential reserves.

Exploration in the southern part of the African continent continued under the joint venture organization which is managed by Falconbridge and in which Falconbridge has a 50 per cent interest. The Joint Venture has begun a program of exploration for diamonds in Botswana and this work will be continued in 1976.

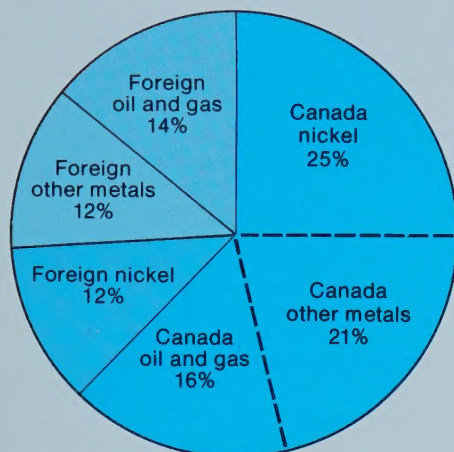
Early in 1975, Falconbridge Copper completed surface drilling of the newly discovered copper-zinc deposit in the southwestern part of its Lake Dufault property.

Alminex greatly expanded its exploration and development drilling programs during 1975. Discovery wells were drilled in Alberta, Colorado, Montana, Oklahoma and in the Gulf of Mexico.

The Company's wholly-owned exploration company, Natresco Inc., had a small participation in 19 exploratory and development wells offshore from Texas, of which eight were completed as gas wells.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

CONSOLIDATED
EXPLORATION
EXPENDITURES
BY GEOGRAPHICAL AREA
1975



Research and Development

Research and development expenditures of \$4,100,000 in 1975 were only slightly below 1974 levels. Activities in 1975 were concentrated mainly in three areas: in support of the Smelter Environmental Improvement Program at Sudbury Operations, towards improvement in the metallurgical operations of Falconbridge Dominicana in the Dominican Republic and towards process revisions in metal refining technology and operations. Mineral dressing work was continued with the objective of increasing metal recoveries in the Sudbury Operations' concentrators and assisting Sturgeon Lake Mines Limited to improve recoveries in its milling operations.

Preparatory work was undertaken at the Onaping Mine for implementing the testing of the new method of hydraulic hoisting of lump ore. This program was interrupted as a result of the strike and further work has been deferred because of shutdown of the Onaping Mine due to the production curtailment.

The issuance of a number of patents in 1975 and a number of patent applications resulted from the Company's research and in-process developments.

Environmental Control

The first year of centralized Environmental Control supervision has resulted in an improved assessment of environmental conditions at many locations of the Falconbridge Group of Companies.

In addition to major expenditures on the Smelter Environmental Improvement Program in the Sudbury area, significant additional expenditures are being incurred each year for improvements in ventilation and dust control in the Company's mines and plants. The Company continued its program of reforestation and revegetation of tailings dumps and eroded areas. Similar programs were carried on at various mining locations of Indusmin Limited.

Major improvements in the handling and control of mine water and tailings effluent have been implemented at Giant Yellowknife and at two Falconbridge Copper locations.

Shareholders

At December 31, 1975 there were 10,732 shareholders, of whom 8,179 were of Canadian registry holding 4,481,476 shares. This represents 89 per cent of the 5,005,555 shares outstanding after deduction of 45,483 shares held by subsidiaries. At the end of the previous year there were 11,205 shareholders, of whom 8,543 were of Canadian registry holding 4,554,459 shares representing 91 per cent ownership.

Organization

The Company experienced a profound loss in the tragic death of Mr. Neil J. McKinnon who drowned near his summer home in Ontario on August 4, 1975. A renowned financier and a highly esteemed member of the international business community, Mr. McKinnon had served the Falconbridge organization with distinction as a Director since February 6, 1969. His interest and counsel during his tenure on the Board contributed immeasurably to the Company's affairs.

To fill the vacancy created by Mr. McKinnon's passing, the Directors elected Mr. Robert B. Fulton to the Board on August 25, 1975. Mr. Fulton is

President and Chief Executive Officer, McIntyre Mines Limited.

On January 21, 1976, Mr. G. P. Mitchell, Vice-President Exploration and Development, was appointed a Director to fill the vacancy created by the resignation of Mr. D. G. C. Menzel.

Mr. D. R. Lochhead, Vice-President Nickel Division since 1968, retired on May 1, 1975 after 39 years of service with the Company. He was succeeded by Mr. J. E. Finlay, formerly Assistant Vice-President Nickel Division, who has been with the Company since 1954.

Appreciation

The Directors express to management and employees at all locations their sincere appreciation for the strong, collective effort put forth in 1975.

The understanding and cooperation of shareholders, customers and plant communities in 1975, and the fine support extended by contractors and suppliers, were greatly appreciated and are gratefully acknowledged.

On behalf of the Board of Directors:

MARSH A. COOPER,
President and Managing Director.

Toronto, Ontario.
February 16, 1976.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Hamilton Kitchener London
Windsor Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Falconbridge Nickel Mines Limited:

We have examined the consolidated balance sheet of Falconbridge Nickel Mines Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. We have also examined the statement of supplementary information as at December 31, 1975 and for the year then ended and the statement of investment in associated and other companies as at December 31, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Falconbridge Nickel Mines Limited and its subsidiaries as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, and the statement of supplementary information and the statement of investment in associated and other companies present fairly the information set forth therein, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Ontario,
February 16, 1976.

Chartered Accountants

ACCOUNTING POLICIES

The principal accounting policies followed by Falconbridge Nickel Mines Limited and its subsidiaries are summarized hereunder to facilitate review of the consolidated financial statements contained in this report.

A. Basis of consolidation and accounting standards

- (i) Falconbridge consolidates the accounts of subsidiary companies (owned more than 50%), and accounts on an equity basis for effectively controlled companies; and
- (ii) Foreign subsidiaries' financial statements have been restated for consolidation purposes to reflect accounting principles generally accepted in Canada.

B. Translation of foreign currencies

- (i) Current assets and current liabilities are translated into Canadian dollars at quoted current rates of exchange at December 31;
- (ii) Items included in property, plant and equipment, other assets, and non-current liabilities are generally translated into Canadian dollars at the rates of exchange prevailing at the dates the transactions were recorded. The carrying values of investments, other than shareholdings, recoverable in foreign currencies are adjusted to reflect losses resulting from governmental devaluations of such currencies;
- (iii) Revenues and expenses are translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation are translated at the rates prevailing when the expenditures on the related assets were made; and
- (iv) Gains on translation of foreign subsidiaries' accounts for consolidation purposes are deferred and losses are reflected in earnings.

C. Valuation of inventories

Metals inventories are valued at the lower of cost and net realizable value. The cost of inventories derived from Falconbridge's ore is determined on a "last-in, first-out" basis; the cost of inventories derived from the subsidiaries' ore and other sources is determined on a "first-in, first-out" basis. The cost of supplies inventories is determined on an average cost basis.

D. Depreciation, depletion and amortization

- (i) Falconbridge calculates depreciation on the straight-line method at the rate of 10% per annum on all plant and equipment in use; generally the subsidiary companies calculate depreciation on the straight-line method at rates varying from 5% to 25%. Alminex Limited provides depreciation on a diminishing balance basis at rates varying from 4% to 30%; and Falconbridge Copper provides depreciation on the production method for the Sturgeon Lake Joint Venture mine;
- (ii) Depletion of properties is provided over a period equal to the lesser of the estimated life of the resources recoverable from the properties or twenty-five years;
- (iii) Development and preproduction expenditures are deferred until the commencement of commercial production and then written off at rates designed to amortize the expenditures over periods not longer than the lives of the producing mines or properties;
- (iv) Repairs and maintenance are charged to operations or development and preproduction; major betterments and replacements are capitalized. Upon sale or retirement, the cost of the fixed assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings; and
- (v) Discount and financing expenses incurred in connection with long-term debt obligations are amortized over the period that the related obligations are outstanding.

E. Exploration

The general policy is to write off exploration costs as incurred. It is the practice of the subsidiaries in the oil and gas industry to charge against earnings, as incurred, all carrying charges on unproven properties, cost of dry holes drilled and exploration expenses; acquisition costs of unproven properties are charged to earnings when the properties are surrendered.

F. Research and process development

Research and process development costs are charged against income as incurred.

G. Retirement plans

The costs of retirement plans are charged against income in the year premiums or required fundings are payable. Past service costs are generally being funded over periods of up to 15 years.

H. Income and mining taxes

All companies follow the tax allocation method of accounting. Under this method timing differences between the amount of income reported for tax purposes and the amount of accounting income (which arise principally as a result of claiming depreciation and preproduction at rates differing from those recorded in the accounts) result in provisions for deferred taxes and these are segregated in the deferred income and mining tax account at the year-end.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1975

ASSETS

	1975	1974
	(000's)	(000's)
CURRENT:		
Cash and temporary investments, at cost which approximates market value (note 5B, page 14)	\$ 77,576	\$ 140,415
Accounts and metal settlements receivable	72,224	78,847
Inventories of metals	76,926	30,237
Inventories of supplies	36,308	33,251
	<u>263,034</u>	<u>282,750</u>
 PROPERTY, PLANT AND EQUIPMENT:		
Producing assets —		
Plant and equipment, at cost	493,331	462,613
Land and properties, at cost	41,062	39,129
	534,393	501,742
Less accumulated depreciation and depletion	300,075	268,186
	234,318	233,556
Development and preproduction expenditures, at cost less amounts written off	70,641	70,810
	304,959	304,366
Non-producing assets (note 2, page 12) —		
Properties and projects in the preproduction stage, at cost less amounts written off	149,434	141,940
	454,393	446,306
 OTHER:		
Investment in associated and other companies (statement 5, page 20)	38,216	35,987
Deposits, long-term accounts receivable and other assets, at cost	3,175	4,093
Debt discount and issue expenses, at cost less amounts written off	4,281	4,800
	45,672	44,880
	<u>\$ 763,099</u>	<u>\$ 773,936</u>

(See notes to consolidated financial statements)

STATEMENT 1

LIABILITIES AND SHAREHOLDERS' EQUITY

	1975	1974
	(000's)	(000's)
CURRENT:		
Bank indebtedness	\$ 4,517	\$ 2,780
Accounts payable and accrued charges	58,728	44,049
Salaries and wages payable	12,925	12,948
Income and other taxes payable (note 3, page 12)	1,102	10,985
Long-term debt maturing within one year	17,324	13,379
	<u>94,596</u>	<u>84,141</u>
LONG-TERM DEBT (note 5, page 13):		
Falconbridge Nickel Mines Limited	110,870	113,680
Falconbridge Dominicana, C. por A.	143,855	160,602
Other companies	636	573
	<u>255,361</u>	<u>274,855</u>
DEFERRED INCOME AND MINING TAXES (note 3, page 12)	31,996	35,693
MINORITY INTEREST	<u>70,846</u>	<u>67,324</u>
SHAREHOLDERS' EQUITY:		
Capital (note 9, page 15) —		
Authorized:		
7,000,000 shares of no par value		
Issued:		
5,005,555 shares in 1975 (5,000,955 shares in 1974)	88,888	88,773
Retained earnings (note 5B, page 14)	224,591	226,329
	<u>313,479</u>	<u>315,102</u>
Less 45,483 shares held by subsidiary companies, at cost	(3,179)	(3,179)
	<u>310,300</u>	<u>311,923</u>
On behalf of the Board:		
M. A. COOPER, Director		
W. F. JAMES, Director		
	<u>\$ 763,099</u>	<u>\$ 773,936</u>

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

STATEMENT 2

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1975

CONSOLIDATED STATEMENT OF EARNINGS

(See additional details — Statement 4, page 16)

	1975 (000's)	1974 (000's)
Revenues	\$ 429,481	\$ 457,827
Operating expenses:		
Costs other than the undermentioned items	299,989	286,838
Strike and production curtailment costs (note 11, page 15)	8,958	
Selling, general and administration expenses	21,105	22,246
Development and preproduction expenditures written off	18,557	20,574
Depreciation and depletion	35,260	30,341
	383,869	359,999
Operating profit	45,612	97,828
Interest and amortization of debt expenses (net of interest and other income of \$10,167,000 in 1975 and \$15,565,000 in 1974)	15,669	11,162
Expenditures on exploration	11,136	13,751
Expenditures on research and process development	4,100	4,382
	30,905	29,295
Earnings before taxes and other items	14,707	68,533
Income and mining taxes (note 3, page 12):		
Current	11,775	19,736
Deferred	(3,697)	14,218
	8,078	33,954
Earnings after taxes, before other items	6,629	34,579
Income from investment in associated and other companies (after reflecting net loss on disposals and write-offs of \$606,000 in 1975 and net gain of \$471,000 in 1974)	2,349	4,773
Earnings before minority interest	8,978	39,352
Minority shareholders' interest in earnings of subsidiary companies	5,757	9,376
Earnings for the year	\$ 3,221	\$ 29,976
Earnings per share (note 6, page 14)	\$ 0.65	\$ 6.05

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings, beginning of year:		
As previously reported	\$ 218,329	\$ 206,264
Adjustment of 1974 Ontario mining tax (note 1, page 12)	8,000	
As restated	226,329	206,264
Earnings for the year	3,221	29,976
	229,550	236,240
Dividends (1975 — \$1.00 per share; 1974 — \$2.00 per share) (note 12, page 15)	4,959	9,911
Retained earnings, end of year	\$ 224,591	\$ 226,329

(See notes to consolidated financial statements)

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
	(000's)	(000's)
Sources of working capital (funds):		
From operations, being —		
Earnings for the year	\$ 3,221	\$ 29,976
Add (deduct) items entering into the determination of earnings which neither use nor provide funds:		
Depreciation and depletion	35,260	30,341
Deferred development and preproduction expenditures written off	18,557	20,574
Amortization of debt expenses	269	270
Income and mining taxes deferred	(3,697)	14,218
Minority shareholders' interest in earnings of subsidiary companies	5,757	9,376
Gains on disposal of fixed assets	(1,834)	(983)
Loss (gain) on disposal and write-off of investments	606	(471)
Interest in earnings of companies accounted for on an equity basis in excess of dividends received	(756)	(1,670)
Total from operations	57,383	101,631
Proceeds from disposal of investments	1,681	2,308
Proceeds from disposal of fixed assets and settlement in 1974 from contractors in respect of the nickel-iron refinery	6,339	8,129
Working capital of subsidiary acquired and consolidated	832	
Decrease in other non-current assets	918	281
Issue of shares for cash	115	2
	<u>67,268</u>	<u>112,351</u>
Applications of working capital:		
Expenditures on property, plant and equipment	44,559	45,733
Development and preproduction expenditures	21,850	25,805
Decrease in long-term debt	19,244	14,246
Dividend payments to company shareholders	4,959	9,911
Dividends paid to and reduction of minority interest	2,235	6,383
Increase in investment in associated and other companies	4,592	1,235
	<u>97,439</u>	<u>103,313</u>
Increase (decrease) in working capital during the year	\$ (30,171)	\$ 9,038
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash and temporary investments	\$ (62,839)	\$ 30,998
Accounts and metal settlements receivable	(6,623)	(25,451)
Inventories	49,746	10,664
	<u>(19,716)</u>	<u>16,211</u>
Increase (decrease) in current liabilities —		
Bank indebtedness	1,737	50
Long-term debt maturing within one year	3,945	(586)
Other current liabilities	4,773	7,709
	<u>10,455</u>	<u>7,173</u>
Increase (decrease) in working capital during the year	(30,171)	9,038
Working capital, beginning of year	198,609	189,571
Working capital, end of year	\$ 168,438	\$ 198,609

(See notes to consolidated financial statements)

FALCONBRIDGE NICKEL MINES LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1975

1. Accounting policies and retroactive adjustment

- (a) Principal accounting policies
The principal accounting policies followed by Falconbridge and its subsidiary companies are detailed under the caption "Accounting policies" on page 7.
- (b) Retroactive adjustment
The regulations to the Ontario Mining Tax Act, which imposed additional mining tax on the company since April 9, 1974 by disallowing the deduction of the cost of processing minerals outside of Canada in determining profit subject to tax, were amended in 1975 on a retroactive basis. The deduction of such costs will continue to be allowed until April 9, 1979. Consolidated earnings for 1974, as restated, were increased by \$8,000,000 (\$1.62 per share).

2. Non-producing assets

- (a) See note 5 of the notes to the statement of supplementary information on page 19 for details of the assets in this category.
- (b) Non-producing assets include \$33,748,000 (1974 — \$33,630,000) for exploration, development and other expenditures relating to New Quebec Raglan Mines Limited and its subsidiary company, Raglan Quebec Mines Limited in the development of that subsidiary company's Cape Smith-Wakeham Bay properties. These expenditures have been deferred with the intention that they should be amortized by charges against income from future mining operations.

While exploration and development at the properties have been suspended, studies are continuing regarding the feasibility of alternate methods of bringing the properties into production. Development work and the feasibility studies on this project to date have not resulted in conclusions that the expenditures on the properties will or will not be recoverable by charges against income from future mining operations. The recovery of these costs from operations is dependent upon the obtaining of adequate financing, the successful development of an economic mining operation, and the marketing of concentrate production.

3. Income and mining taxes

As disclosed in note 1 above the disallowance of the deduction of the cost of processing minerals outside of Canada (specifically the operating costs of the company's refinery in Norway) in determining profit subject to Ontario mining tax has been deferred for a period of five years commencing April 9, 1974. The consolidated income and other taxes payable liability recorded for 1975 is net of the \$8,000,000 mining tax recoverable for 1974.

Falconbridge Dominicana, C. por A. (Falcondo), a subsidiary company, has received income tax assessments, for the 1972 and 1973 fiscal years, totalling RD\$4,804,000 (Cdn. \$4,881,000). Falcondo is presently appealing these assessments and, based on counsel's opinion, the company believes that there will be no material adjustments required to the consolidated accounts.

4. Foreign exchange translation

- (a) If translated into Canadian dollars at quoted current rates of exchange at December 31, 1975 long-term debt would increase by \$183,000 to \$255,544,000. This change is not necessarily indicative of the amount which will be repayable when the obligations are retired.
- (b) Exchange losses on foreign currency transactions which amounted to \$92,000 in 1975 (1974 — \$1,686,000) have been charged to earnings; gains, which amounted to \$1,718,000 at December 31, 1975 (1974 — \$706,000), have been deferred and included in accounts payable and accrued charges.

5. Long-term debt

A. Details of long-term debt are as follows:

(i) Falconbridge Nickel Mines Limited

	1975	1974
	(000's)	(000's)
7.75% Sinking fund debentures maturing February, 1991 (a)	\$ 48,750	\$ 50,000
8.85% Sinking fund debentures maturing May, 1996 (U.S. \$50,000,000) (b)	51,094	51,094
Bank loan due January, 1977 (10¼% at December 31, 1975)	10,000	10,000
Mortgages on company housing and other obligations	1,026	2,586
Total (1975 net of \$331,000 maturing within one year)	<u>\$ 110,870</u>	<u>\$ 113,680</u>

(a) No portion of the principal is due on the 7.75% debentures until 1977 when the company is required to commence sinking fund payments sufficient to retire \$1,250,000 principal amount of debentures in each of the years 1977 to 1990.

At December 31, 1975 \$1,250,000 principal amount had been purchased to meet the sinking fund requirements for 1977.

(b) No portion of the principal is due on the 8.85% debentures until 1981 when the company is required to commence sinking fund payments sufficient to retire U.S. \$3,000,000 principal amount of debentures in each of the years 1981 to 1995.

(ii) Falconbridge Dominicana, C. por A.

(a) Due to Loma Corporation* (payable in U.S. currency) —		
8% Series B demand mortgage notes	RD\$ 20,500	RD\$ 30,750
8½% Series C demand mortgage notes	80,000	80,000
8½% Series D demand subordinate notes	34,000	34,000
	<u>134,500</u>	<u>144,750</u>

* Payment will only be demanded in certain circumstances, the most significant being to meet payment due on notes of Loma Corporation (a U.S. financing company) issued in the same principal amounts and at the same interest rates as the above demand notes, as follows:

8% Series B secured sinking fund notes, due semi-annually to 1977;

8½% Series C secured sinking fund notes, due semi-annually to 1986; and

8½% Series D guaranteed sinking fund notes, due semi-annually 1987 to 1991 inclusive.

(b) Due to International Bank for Reconstruction and Development —		
7% Loans, due semi-annually to 1984, payable in various currencies ..	21,830	21,739
	<u>156,330</u>	<u>166,489</u>
(c) Company housing —		
9½% Mortgages on company housing repayable monthly to 1993, in Dominican Republic currency	2,277	2,337
	<u>158,607</u>	<u>168,826</u>
Less long-term debt maturing within one year	<u>16,552</u>	<u>12,484</u>
Total — Expressed in Dominican Republic currency	<u>RD\$ 142,055</u>	<u>RD\$ 156,342</u>
Total — Expressed in Canadian currency and reflecting Canadian accounting principles (1975 net of \$16,817,000 maturing within one year)	<u>\$ 143,855</u>	<u>\$ 160,602</u>

(iii) Other companies

Total (1975 net of \$176,000 maturing within one year)	<u>\$ 636</u>	<u>\$ 573</u>
--	---------------	---------------

FALCONBRIDGE NICKEL MINES LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iv) Maturities and sinking fund requirements

Maturities and sinking fund requirements (exclusive of foreign exchange adjustments) for the next five years are as follows:

1976 — \$17,324,000	1979 — \$11,568,000
1977 — \$30,855,000	1980 — \$11,579,000
1978 — \$11,560,000	

B. Guarantees, covenants and restrictions:

(i) Falconbridge has guaranteed portions of the long-term debt of Falconbridge Dominicana, C. por A. (Falcondo), details of which are as follows —

(a) All loans are secured by a first mortgage on the assets of Falcondo and by a contract under which Falconbridge Nickel Mines Limited has agreed to buy all ferronickel of commercial value produced by Falcondo. Falconbridge is also obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. The loans due to Loma Corporation are covered by a specific risk insurance issued by the Overseas Private Investment Corporation.

(b) Falconbridge has pledged all of its holdings of its shares of Falcondo against repayment of these loans, except the mortgages on company housing and the subordinated portion of U.S. \$34,000,000. In addition, Falconbridge has made a direct guarantee for repayment of 60% of this subordinated portion of the loan.

(c) In accordance with the terms of the loan agreements, funds of \$16,976,000 (1974 — \$14,518,000) (included with cash and temporary investments) are on deposit with the Trustee for use in paying current debt service and expenses of Falcondo.

(ii) During the period that the Falcondo loans are outstanding, there are certain restrictions placed on the amount and nature of borrowing that Falconbridge can undertake. Covenants given by Falconbridge in this respect are substantially the same (other than the restriction on the payment of dividends) as those given by Falconbridge under its 8.85% debentures which include limitations as to:

(a) The amount of dividends which may be paid by Falconbridge (see (iii) below);

(b) The assumption of additional long-term debt; and

(c) Guarantees which it may give on certain indebtedness of its subsidiary and other companies.

(iii) At December 31, 1975, the portion of retained earnings restricted under the 8.85% debenture covenants and not available for dividend payment was \$171,048,000.

6. Earnings per share

Earnings per share have been computed using the weighted average number of shares outstanding (excluding shares held by subsidiary companies). Inclusion in the earnings per share computation of shares subject to issue under outstanding options would produce substantially the same per share results.

7. Commitments

(a) The company is committed to an environmental improvement project involving major revisions to its smelting facilities at Falconbridge, Ontario. It was originally estimated that the cost of constructing the new facilities would

approximate \$95,000,000 (of which \$22,035,000 has been expended to December 31, 1975). However, the temporary suspension of construction announced by the company in November will cause the cost to increase when construction is resumed but the extent of the increase cannot at this time be estimated.

- (b) Directives of the Ontario Government in connection with the construction of Canadian refining facilities are under continuing discussion with government officials and, pending completion of such discussions, it is not practicable to estimate the potential costs involved.
- (c) There are commitments outstanding aggregating approximately \$8,500,000 in connection with the smelter environmental improvement project and \$1,000,000 on other capital expenditures of the company and its subsidiaries.

8. Retirement plans

The company and certain of its Canadian subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly rated employees.

Total pension expense for the year was \$6,965,000 (1974 — \$5,598,000) including past service costs of \$3,096,000 (1974 — \$2,149,000). Based on the most recent actuarial evaluation the unfunded past service cost for all pension plans in effect at December 31, 1975 is approximately \$18,000,000 (1974 — \$15,000,000) including \$10,000,000 (1974 — \$8,200,000) which is computed to have vested. The companies have no legal liability with regard to the past service cost including that portion which has vested.

9. Stock options

During the year 4,600 shares were issued under the stock option plan available to certain employees. Options on 20,460 shares, expiring December 19, 1978, remain outstanding. Under revisions effected in 1974 the price for which share options outstanding may be issued was changed from \$63.45 to \$25.00 per share (being the closing bid price for the shares of the company on September 30, 1974, less a discount of 10%) and loans may be granted to assist employees in the purchase of shares under options.

10. Remuneration of directors and senior officers

Charges included in the consolidated statement of earnings for remuneration paid or payable to directors and senior officers, as defined under the Business Corporations Act of Ontario, amounted to \$1,407,000 (1974 — \$1,444,000).

11. Strike and production curtailment costs

Strike and production curtailment costs represent certain ongoing expenses incurred at Sudbury during the ten week strike, subsequent start-up costs and those costs related to management's November, 1975 decision to cutback, temporarily, Sudbury's production and suspend certain major capital expenditure projects. The assets maintained on a standby basis, as a result of the production cutback, remain in the producing asset classification subject to a regular depreciation charge.

12. Anti-inflation program

Effective October 14, 1975 the Federal Government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the company and its Canadian subsidiaries are subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends. The effects on the company and its Canadian subsidiaries of the Regulations are not yet clear owing to uncertainties as to interpretation and the need to develop more definitive data but the company and its Canadian subsidiaries believe that they are in compliance with the program in all respects.

Under the Regulations dividends to the company's shareholders during the year ending October 13, 1976 may not exceed \$2.00 per share.

FALCONBRIDGE NICKEL MINES LIMITED **AND ITS SUBSIDIARIES**

STATEMENT OF SUPPLEMENTARY INFORMATION *(Thousands of dollars)*

December 31, 1975

	% ownership	Integrated nickel operations (100%) (note 2)	Unallocated corporate (100%) (note 2)	Alminex Limited (51.1%)	Falconbridge Copper Limited (50.2%) (note 3)	Falconbridge Dominicana, C. por A. (65.7%) (note 3)	Indusmin Limited (69.0%) (note 3)	Oamites Mining Company (Proprietary) Limited (74.9%)	Wesfrob Mines Limited (100%)
OPERATIONS (note 3):									
Revenues		\$ 166,460	\$ 2,000	\$ 19,593	\$ 79,999	\$ 106,269	\$ 22,263	\$ 10,864	\$ 13,577
Operating expenses —									
Costs other than the undermentioned items		127,096		1,738	67,297	64,320	13,939	7,467	10,833
Strike and production curtailment costs		8,958							
Selling, general and administrative expenses		9,370	3,278	374	797	2,793	2,518	1,328	6,000
Development and preproduction expenditures written off		8,884		977	4,221	2,847	84	114	1,933
Depreciation and depletion		14,144	606	1,566	5,864	8,100	2,134	798	1,433
		<u>168,452</u>	<u>3,884</u>	<u>4,655</u>	<u>78,179</u>	<u>78,060</u>	<u>18,675</u>	<u>9,707</u>	<u>14,266</u>
Operating profit (loss)		<u>(1,992)</u>	<u>(1,884)</u>	<u>14,938</u>	<u>1,820</u>	<u>28,209</u>	<u>3,588</u>	<u>1,157</u>	<u>(693)</u>
Interest and amortization of debt expenses (net)		1,649	160	(427)	(413)	14,609	298	(40)	
Expenditures on exploration		2,791	3,626	3,310	757	126			24,000
Expenditures on research and process development		4,210							
		<u>8,650</u>	<u>3,786</u>	<u>2,883</u>	<u>344</u>	<u>14,735</u>	<u>298</u>	<u>(40)</u>	<u>24,000</u>
Earnings (loss) before taxes and investment income (net)		(10,642)	(5,670)	12,055	1,476	13,474	3,290	1,197	(933)
Income and mining taxes		(5,252)	(1,458)	7,146	850	4,186	1,378	68	39,000
Earnings (loss) from operations		(5,390)	(4,212)	4,909	626	9,288	1,912	1,129	(1,333)
Investment income (net)			1,282		29		5		
Earnings (loss) for the year		<u>\$ (5,390)</u>	<u>\$ (2,930)</u>	<u>\$ 4,909</u>	<u>\$ 655</u>	<u>\$ 9,288</u>	<u>\$ 1,917</u>	<u>\$ 1,129</u>	<u>\$ (1,333)</u>
Falconbridge's interest in above earnings (loss) after consolidation adjustments (note 3)		<u>\$ (5,390)</u>	<u>\$ (2,930)</u>	<u>\$ 2,952</u>	<u>\$ 198</u>	<u>\$ 5,689</u>	<u>\$ 1,311</u>	<u>\$ 739</u>	<u>\$ (1,366)</u>
WORKING CAPITAL (note 4):									
Current assets		\$ 174,361		\$ 9,423	\$ 24,253	\$ 61,465	\$ 11,203	\$ 2,507	\$ 6,077
Current liabilities		75,545		2,790	5,410	27,762	7,614	662	3,077
		<u>\$ 98,816</u>		<u>\$ 6,633</u>	<u>\$ 18,843</u>	<u>\$ 33,703</u>	<u>\$ 3,589</u>	<u>\$ 1,845</u>	<u>\$ 3,000</u>
PROPERTY, PLANT AND EQUIPMENT (note 5):									
Producing assets, at net book value —									
Plant and equipment		\$ 61,014		\$ 2,125	\$ 13,133	\$ 107,277	\$ 11,734	\$ 5,708	\$ 4,688
Land and properties		4,615		13,304	3,932	1,816	841	179	
Development and preproduction expenditures		16,265		5,919	5,861	38,590	513	838	2,655
		<u>\$ 81,894</u>		<u>\$ 21,348</u>	<u>\$ 22,926</u>	<u>\$ 147,683</u>	<u>\$ 13,088</u>	<u>\$ 6,725</u>	<u>\$ 7,343</u>
Non-producing assets, at cost less amounts written off		<u>\$ 94,061</u>		<u>\$ 6,256</u>	<u>\$ 7,214</u>		<u>\$ 643</u>		
PRINCIPAL PRODUCTS	Nickel and copper			Oil and gas	Copper and zinc	Ferronickel	Industrial minerals and metal castings	Copper	Iron and copper
PRINCIPAL LOCATION OF ASSETS	Ontario, Manitoba, Norway			Alberta	Quebec, Ontario	Dominican Republic	Ontario, Quebec	South West Africa	British Columbia
MARKET VALUE OF FALCONBRIDGE'S SHAREHOLDINGS (note 6)				\$ 19,569	\$ 38,244		\$ 5,743		

(See notes to statement of supplementary information)

STATEMENT 4

December 31, 1974

Others	Consolidated total (after adjustments) (note 3)	Integrated nickel operations (100%) (note 2)	Unallocated corporate (100%) (note 2)	Alminex Limited (51.1%)	Falconbridge Copper Limited (50.2%) (note 3)	Falconbridge Dominicana, C. por A. (65.7%) (note 3)	Indusmin Limited (69.0%)	Oamites Mining Company (Proprietary) Limited (74.9%)	Wesfrob Mines Limited (100%)	Others	Consolidated total (after adjustments) (note 3)
\$ 15,856	\$ 429,481	\$ 217,397	\$ 1,938	\$ 14,319	\$ 64,993	\$ 99,263	\$ 17,863	\$ 13,660	\$ 12,450	\$ 11,627	\$ 457,827
11,499	299,989 8,958	139,540		1,261	39,674	68,091	10,990	8,301	8,261	9,416	286,838
1,699	21,105	10,950	2,733	258	797	3,715	2,106	1,008	70	1,248	22,246
	18,557	12,415		761	3,500	2,844	183	144	1,232		20,574
379	35,260	13,112	605	1,818	2,985	7,185	1,995	944	1,211	380	30,341
13,577	383,869	176,017	3,338	4,098	46,956	81,835	15,274	10,397	10,774	11,044	359,999
2,279	45,612	41,380	(1,400)	10,221	18,037	17,428	2,589	3,263	1,676	583	97,828
(171)	15,669	(1,647)	(509)	(405)	(1,526)	14,964	314	49		(79)	11,162
284	11,136	4,921	3,450	2,319	1,857	31			974	199	13,751
	4,100	4,382									4,382
113	30,905	7,656	2,941	1,914	331	14,995	314	49	974	120	29,295
2,166	14,707	33,724	(4,341)	8,307	17,706	2,433	2,275	3,214	702	463	68,533
1,154	8,078	17,329	(311)	3,455	9,080	856	963	1,302	59	308	33,954
1,012	6,629	16,395	(4,030)	4,852	8,626	1,577	1,312	1,912	643	155	34,579
1,070	2,349		4,143		58		84			578	4,773
\$ 2,082	\$ 8,978	\$ 16,395	\$ 113	\$ 4,852	\$ 8,684	\$ 1,577	\$ 1,396	\$ 1,912	\$ 643	\$ 733	\$ 39,352
\$ 2,013	\$ 3,221	\$ 16,395	\$ 113	\$ 2,922	\$ 3,363	\$ 3,309	\$ 966	\$ 1,433	\$ 683	\$ 792	\$ 29,976
\$ 9,103	\$ 263,034	\$ 204,970		\$ 6,800	\$ 23,345	\$ 54,137	\$ 6,946	\$ 2,302	\$ 4,153	\$ 6,819	\$ 282,750
2,484	94,596	67,807		1,439	6,430	25,196	4,677	737	1,456	2,016	84,141
\$ 6,619	\$ 168,438	\$ 137,163		\$ 5,361	\$ 16,915	\$ 28,941	\$ 2,269	\$ 1,565	\$ 2,697	\$ 4,803	\$ 198,609
\$ 3,822	\$ 209,500	\$ 61,909		\$ 2,189	\$ 4,494	\$ 113,429	\$ 10,962	\$ 6,024	\$ 5,333	\$ 3,971	\$ 208,311
131	24,818	5,021		13,847	3,386	1,800	858	202		131	25,245
	70,641	18,045		5,527	1,137	40,934	597	952	3,618		70,810
\$ 3,953	\$ 304,959	\$ 84,975		\$ 21,563	\$ 9,017	\$ 156,163	\$ 12,417	\$ 7,178	\$ 8,951	\$ 4,102	\$ 304,366
\$ 41,260	\$ 149,434	\$ 72,583		\$ 4,436	\$ 23,150		\$ 667			\$ 41,104	\$ 141,940
		Nickel and copper		Oil and gas	Copper and zinc	Ferronickel	Industrial minerals	Copper	Iron and copper		
		Ontario, Manitoba, Norway		Alberta	Quebec, Ontario	Dominican Republic	Ontario, Quebec	South West Africa	British Columbia		
\$ 15,087	\$ 78,643			\$ 16,830	\$ 42,313		\$ 4,937			\$ 21,959	\$ 86,039

FALCONBRIDGE NICKEL MINES LIMITED AND ITS SUBSIDIARIES

NOTES TO STATEMENT OF SUPPLEMENTARY INFORMATION DECEMBER 31, 1975

1. Translation of foreign currencies

Foreign currency items have been translated into Canadian dollars as explained in note B of the accounting policies on page 7.

2. Integrated nickel operations and Unallocated corporate

Included under the caption "Integrated nickel operations" are the accounts of the company and all its wholly-owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of nickel mainly derived from Canadian ore. That portion of the company's corporate expenditures relating to the overall direction and management of other activities of the Falconbridge group of companies has been segregated under the caption "Unallocated corporate".

3. Operations

Adjustments have been made on consolidation as follows:

(a) Amortization of purchase discrepancies

Generally the difference between Falconbridge's interest in the book value of the net assets of its operating subsidiaries and the carrying value in the company's accounts is amortized in each case over the lesser of (i) the estimated life of the subsidiary's recoverable resources and (ii) a period of twenty-five years from the date of acquisition of the investment or the date the subsidiary commenced operations.

(b) Falconbridge Copper Limited

The waiving of rights to dividends and reduction of interest in earnings previously recorded by Falconbridge on 983,000 shares in Falconbridge Copper Limited terminated when the Sturgeon Lake property was declared to be in commercial production on February 1, 1975. Falconbridge has included in 1975 earnings its share, amounting to \$624,000, of the increase in Falconbridge Copper's undistributed earnings during the period dividends were waived.

(c) Falconbridge Dominicana, C. por A. (Falcondo)

The ferronickel produced by Falcondo is purchased and marketed by Falconbridge. The earnings of Falcondo include profits on all ferronickel sold to Falconbridge, whereas consolidated earnings exclude the profits relating to inventories of ferronickel held by Falconbridge at December 31 for subsequent resale to customers.

(d) Indusmin Limited

The consolidated accounts of Indusmin Limited include the accounts of its wholly-owned subsidiary Fahralloy-Wisconsin Limited from July 1, 1975 (date of acquisition). Previously Fahralloy-Wisconsin was 50% owned by Falconbridge's wholly-owned subsidiary Fahralloy Canada Limited and was reflected in the consolidated accounts on the equity basis of accounting. On January 1, 1976 Fahralloy-Wisconsin acquired all the assets, excluding cash, and assumed all the liabilities, excluding tax liabilities, of Fahralloy Canada Limited.

4. Working capital

See note 5B of the notes to consolidated financial statements for particulars of long-term debt and funds held in trust in respect of Falcondo.

5. Property, plant and equipment

Where appropriate the unamortized difference between Falconbridge's interest in the book value of the net assets of its subsidiaries and the carrying value of the company's investment has been included with the subsidiary's plant and equipment, land and properties, or development and preproduction expenditures. The following assets in the preproduction stage are included under the caption "Non-producing assets":

<u>Company and project</u>	<u>1975</u>	<u>1974</u>
	(000's)	(000's)
Falconbridge Nickel Mines Limited —		
Lockerby mine	\$ 52,011	\$ 42,250
Smelter environmental improvement project — Smelter	17,650	4,099
— Acid plant	4,385	184
Other projects	14,995	18,216
Falconbridge Copper Limited —		
New mines (1974 includes Sturgeon Lake Joint Venture)	7,214	23,150
Falconbridge Nikkelverk Aktieselskap —		
Process revision changeover programme	3,696	7,125
New Quebec Raglan Mines Limited —		
Subsidiary's Cape Smith-Wakeham Bay properties (a)	33,748	33,630
Other subsidiary companies' projects	15,735	13,286
	<u>\$ 149,434</u>	<u>\$ 141,940</u>

(a) See note 2 on page 12.

6. Market value of Falconbridge's shareholdings

The market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1975 and 1974. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated market value.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

STATEMENT 5

STATEMENT OF INVESTMENT IN ASSOCIATED AND OTHER COMPANIES

	Shares			Carrying value	
	Shares of common stock	Beneficial interest	Market value (note 1) (000's)	Shares (000's)	Bonds, notes and advances (000's)
December 31, 1975:					
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7%	\$ 1,078	\$ 232	
Asamera Oil Corporation Ltd.	110,732	1.5	831	1,372	
Dickstone Copper Mines Ltd.	517,725	27.2	36		
Dunraine Mines Limited	1,068,558	48.6	134	59	\$ 60
Giant Yellowknife Mines Limited	824,413	19.2	5,256	3,799	
McIntyre Mines Limited	175,825	7.4	6,769	10,175	
The Superior Oil Company	14,000	0.3	2,289	3,118	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	105	377	
United Keno Hill Mines Limited (note 2)	1,195,989	48.4	10,465	6,679	
Other companies			253	66	
			<u>\$ 27,216</u>	25,877	
Investments with no quoted market value —					
Western Platinum Limited (note 3)	2,500,001	25.0		6,214	5,224
Other companies				757	84
				<u>\$ 32,848</u>	<u>\$ 5,368</u>
				<u>\$ 38,216</u>	
December 31, 1974:					
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7%	\$ 1,977	\$ 232	
Dickstone Copper Mines Ltd.	517,725	27.2	243		
Dunraine Mines Limited	1,068,558	48.6	160	59	\$ 52
Giant Yellowknife Mines Limited	824,413	19.2	7,832	3,799	
McIntyre Mines Limited	175,825	7.4	4,967	10,175	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	126	377	
United Keno Hill Mines Limited (note 2)	1,195,989	48.4	7,774	6,094	
Other companies			162	70	
			<u>\$ 23,241</u>	20,806	
Investments with no quoted market value —					
Western Platinum Limited	2,500,001	25.0		6,214	6,267
Other companies (note 2)				1,415	1,233
				<u>\$ 28,435</u>	<u>\$ 7,552</u>
				<u>\$ 35,987</u>	

- Notes: 1. The market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1975 and 1974. Because of the number of shares involved the amounts that could be realized if these securities were to be sold may be more or less than their indicated market value.
2. The carrying value represents the cost of the investments less amounts written off, and also reflects the interest in earnings (losses) of United Keno Hill Mines Limited and certain of the "Other companies" which are accounted for on an equity basis.
3. Due to the devaluation of the Rand the carrying value of the income debentures was written down and income from investments was reduced by \$1,043,000.

FALCONBRIDGE NICKEL MINES LIMITED AND ITS SUBSIDIARIES

SUMMARY OF 1975 CONSOLIDATED RESULTS BY QUARTERS

(Unaudited — 000's omitted)

	1975					
	Three months ended					
	March 31	June 30	Sept. 30	Dec. 31	Year	1974
Metal deliveries (pounds):						
Integrated nickel operations —						
Nickel	16,007	15,815	14,398	15,304	61,524	89,464
Copper	11,242	10,361	11,042	8,068	40,713	53,981
Cobalt	464	323	275	303	1,365	2,468
Falconbridge Copper Limited —						
Copper	18,040	20,521	18,090	20,852	77,503	56,911
Zinc	14,999	22,196	21,638	14,934	73,767	30,838
Falconbridge Nickel Mines Limited (note 2) —						
Ferronickel (deliveries to customers)	13,370	11,465	12,646	12,789	50,270	73,828
Earnings:						
Revenues from metals and other products	\$ 104,730	\$ 107,448	\$ 110,041	\$ 107,262	\$ 429,481	\$ 457,827
Interest, investment and other income	4,460	3,922	2,526	1,608	12,516	20,338
	<u>109,190</u>	<u>111,370</u>	<u>112,567</u>	<u>108,870</u>	<u>441,997</u>	<u>478,165</u>
Costs other than the undermentioned	76,427	80,675	80,563	83,429	321,094	309,084
Strike and production curtailment costs			2,441	6,517	8,958	
Depreciation, depletion, development and preproduction written off	13,373	14,444	13,038	12,962	53,817	50,915
Exploration, research and process development	4,798	3,767	3,554	3,117	15,236	18,133
Interest and amortization of debt expenses	6,333	6,711	6,602	6,190	25,836	26,727
Income and mining taxes	4,068	2,496	3,113	(1,599)	8,078	33,954
Minority interest in earnings of subsidiaries	1,700	1,539	1,965	553	5,757	9,376
	<u>106,699</u>	<u>109,632</u>	<u>111,276</u>	<u>111,169</u>	<u>438,776</u>	<u>448,189</u>
Earnings (loss) for the period	<u>\$ 2,491</u>	<u>\$ 1,738</u>	<u>\$ 1,291</u>	<u>\$ (2,299)</u>	<u>\$ 3,221</u>	<u>\$ 29,976</u>
Earnings (loss) per share	<u>50¢</u>	<u>35¢</u>	<u>26¢</u>	<u>(46)¢</u>	<u>65¢</u>	<u>\$ 6.05</u>
Earnings (loss) contributions:						
Integrated nickel operations	\$ 433	\$ (1,183)	\$ (1,370)	\$ (3,270)	\$ (5,390)	\$ 16,395
Falconbridge Copper Limited	251	147	117	(317)	198	3,363
Falconbridge Dominicana, C. por A. (note 2)	1,339	1,147	1,429	1,774	5,689	3,309
Other consolidated subsidiaries	884	2,131	1,736	903	5,654	6,796
Unallocated corporate	(416)	(504)	(621)	(1,389)	(2,930)	113
	<u>\$ 2,491</u>	<u>\$ 1,738</u>	<u>\$ 1,291</u>	<u>\$ (2,299)</u>	<u>\$ 3,221</u>	<u>\$ 29,976</u>

Notes:

1. The results of operations in the interim reports issued during 1975 have been amended to give effect to adjustments to the deferred income and mining tax accounts at year-end.
2. See note 3, page 18 of the notes to statement of supplementary information.
3. Generally the increased revenues from higher average prices received from nickel and cobalt sales were more than offset by the combined effect of lower nickel deliveries by the group companies, reduced copper and precious metal prices, inflation and strike and production curtailment cost factors. Interest income is considerably reduced because of decreasing temporary investments.

Integrated nickel operations nickel and copper deliveries were 31% and 25% respectively lower than in 1974 and strike and production curtailment costs contributed substantially to the loss contribution for the year. Falconbridge Copper's increased metal deliveries reflect the production from the Sturgeon Lake Joint Venture operation since February 1, 1975. However substantially lower copper prices and higher operating costs were major factors in the reduced contribution to consolidated earnings in 1975. Falconbridge Dominicana's increased revenues from the higher selling price of ferronickel were only partially offset by the reduction in deliveries and increased costs.

FALCONBRIDGE NICKEL MINES LIMITED

AND ITS SUBSIDIARIES

EIGHT-YEAR REVIEW

		1975	1974	1973	1972	1971	1970	1969	1968
EARNINGS (000's)	Revenues	\$ 429,481	457,827	438,163	274,578	210,864	219,681	190,805	148,525
	Earnings (before extraordinary item) (note 1)	\$ 3,221	29,976	48,860	5,678	17,127	42,190	46,865	34,897
	Per share (note 2)	\$ 0.65	6.05	9.86	1.14	3.45	8.52	9.52	7.12
	Extraordinary item	\$		7,100	(49,456)		(475)	669	
	Per share (note 2)	\$		1.43	(9.98)		(0.10)	0.14	
EARNINGS (LOSS) CONTRIBUTIONS — after consolidation adjustments, before extraordinary items (000's)	Integrated nickel operations	\$ (5,390)	16,395	19,425	5,118				
	Unallocated corporate	\$ (2,930)	113	(1,552)	(3,752)				
	Alminex Limited	\$ 2,952	2,922	2,040	1,263				
	Falconbridge Copper Limited	\$ 198	3,363	12,074	3,588				
	Falconbridge Dominicana, C. por A.	\$ 5,689	3,309	9,933	503				
	Indusmin Limited	\$ 1,311	966	1,281	1,024				
	Oamites Mining Company (Proprietary) Limited	\$ 739	1,433	2,406	205				
	Wesfrob Mines Limited	\$ (1,361)	683	2,491	(2,507)				
	Others	\$ 2,013	792	762	236				
	Earnings (before extraordinary item)	\$ 3,221	29,976	48,860	5,678				
FINANCIAL POSITION (000's)	Working capital —								
	Integrated nickel operations	\$ 98,816	137,163	116,582	71,137	67,611			
	Falconbridge Dominicana, C. por A. (note 3)	\$ 33,703	28,941	36,214	25,680	26,601			
	Falconbridge Copper Limited	\$ 18,843	16,915	25,218	12,897	14,675			
	Consolidated total	\$ 168,438	198,609	189,571	114,189	118,745			
	Property, plant and equipment (net) —								
	Producing	\$ 304,959	304,366	325,155	353,314	182,659			
	Non-producing	\$ 149,434	141,940	107,674	88,258	314,354			
SHAREHOLDERS' DATA	Long-term debt	\$ 255,361	274,855	289,101	301,921	293,336			
	Shareholders' equity (000's)	\$ 310,300	311,923	291,856	241,555	289,629			
	Amount per share	\$ 61.99	62.37	58.36	48.31	57.93			
	Dividends paid per share	\$ 1.00	2.00	1.00	1.00	2.75	3.50	3.50	3.50
	Number of shares outstanding at end of year (note 4) (000's)	5,006	5,001	5,001	5,000	5,000	4,955	4,946	4,905
	Number of shareholders	10,732	11,205	11,104	12,254	12,178	12,273	12,687	13,799
EXPLORATION, RESEARCH AND DEVELOPMENT (000's)	Exploration	\$ 11,136	13,751	10,757	8,431	11,698	10,208	7,059	5,877
	Research and development	\$ 4,100	4,382	3,304	2,546	3,311	4,208	2,683	2,207
CAPITAL EXPENDITURES (000's)	Expenditures (net) on property, plant, equipment, development and preproduction —								
	Integrated nickel operations	\$ 38,161	30,442	21,156	36,717	59,474	51,567	37,245	40,294
	Falconbridge Dominicana, C. por A. .. RD\$	1,934	5,571	2,123	10,301	69,217	70,487	19,142	2,799
	Falconbridge Copper Limited (note 5) ..	\$ 7,400	14,968	9,076	3,910	5,968	4,946	1,778	1,692
	Consolidated total	\$ 60,070	63,409	42,532	63,576	146,214			
METAL DELIVERIES (000's pounds)	Integrated nickel operations — Nickel	61,524	89,464	99,408	89,665	85,864	84,141	80,647	70,712
	— Copper	40,713	53,981	53,725	56,464	60,985	56,922	49,456	39,787
	Falconbridge Nickel Mines Limited — Nickel in ferronickel (note 6)	50,270	73,828	67,644					
	Falconbridge Copper Limited (note 5) — Copper	77,503	56,911	80,935	80,870	62,012	50,320	52,752	56,817
	Zinc	73,767	30,838	37,950	38,218	14,569	10,648	12,249	24,612
ORE RESERVES (000's tons)	Falconbridge Nickel Mines Limited	89,099	90,578	92,798	92,646	99,933	97,405	94,217	91,639
	Falconbridge Dominicana, C. por A.	64,000	66,000	68,500	70,800	72,300	62,800	62,800	62,800
	Falconbridge Copper Limited (note 5)	9,234	11,004	11,287	11,724	11,543	9,777	7,921	7,986

- Notes:
1. See note 1, page 12, of the notes to consolidated financial statements.
 2. See note 6, page 14, of the notes to consolidated financial statements.
 3. See note 5, page 13, of the notes to consolidated financial statements re partial restriction of funds.
 4. Includes shares held by consolidated subsidiaries.
 5. This company was formed through an amalgamation of a number of companies in 1971. For comparative purposes the figures have been presented as if the amalgamation had been in effect throughout 1968 to 1971.
 6. Ferronickel delivered to customers, see note 3, page 18, of the notes to statement of supplementary information.

FALCONBRIDGE NICKEL MINES LIMITED

THE INTEGRATED NICKEL OPERATIONS

Earnings

The earnings of the integrated nickel operations before taxes decreased from \$33,724,000 in 1974 to a loss of \$10,642,000. After income and mining tax credits of \$5,252,000 (\$17,329,000 tax charge in 1974) the loss amounted to \$5,390,000 in 1975 compared with re-stated earnings of \$16,395,000 in 1974. Revenues from the increased average prices received for nickel and cobalt in 1975 were more than offset by the combined effect of lower nickel and copper deliveries, reduced copper and precious metals prices, inflation, and strike and production curtailment cost factors. The curtailment of operations following the strike imposed an additional burden because of certain inefficiencies which result from the transition to the reduced level of production.

The regulations to the Ontario Mining Tax Act, which imposed additional mining tax on the Company since April 9, 1974 by disallowing the deduction of the cost of processing minerals outside of Canada in determining profit subject to tax, were amended in 1975 on a retroactive basis. The deduction will continue to be allowed until April 9, 1979. The above mentioned after-tax earnings figures for 1974 and 1975 reflect this amendment.

Marketing Review

Metal Deliveries

Deliveries of refined nickel, copper and cobalt in 1975 and 1974 were as follows:

	Pounds*	
	1975	1974
Refined nickel in all forms	61,524,000	89,464,000
Copper	40,713,000	53,981,000
Cobalt	1,365,000	2,468,000

* Excludes nickel and copper refined and delivered on a commission basis.

Metal Prices

The published base price for electrolytic nickel was increased in September, 1975 by 19 cents to U.S. \$2.20 per pound. This new price was not fully realized in 1975 due to competitive pricing action throughout the industry.

The U.S. equivalent of the London Metal Exchange "spot" or cash price for copper wirebars averaged U.S. 56 cents per pound in 1975 compared with U.S. 93 cents per pound in 1974. The price at the

end of the year was U.S. 53 cents per pound. This significant decline in copper prices reflected a major reduction in consumer demand and resulted in an unprecedented inventory accumulation in the hands of producers and on the London Metal Exchange. It is estimated that 1975 non-Communist world refined copper consumption fell by 15 per cent. This is in addition to a six per cent drop in 1974. By the end of 1975, inventories in the United States and Japan had levelled off in delayed response to improving economic conditions. Reduced production of refined copper, lower fabricator inventories and an optimistic economic outlook indicate that 1976 will offer improved prospects for copper consumption and prices.

The cobalt producers' price was increased in January, 1975, from U.S. \$3.75 to U.S. \$4.00 per pound. Cobalt demand weakened significantly during the year.

Although the automobile industry emerged as a major new market for platinum, the curtailment of capital expansion plans in the chemical, petroleum, and glass industries resulted in a temporary surplus of platinum during 1975. The producers' price of platinum fell from U.S. \$190 per troy ounce in January, 1975, to U.S. \$155 at year-end.

Gold and silver prices eased off in 1975 with the reduction in speculative activity.

Operations Review

General

The operations of the Company's mines and plants in the Sudbury area were shut down from August 21 to November 2 inclusive due to a legal strike by the production and maintenance workers represented by the Sudbury Mine Mill and Smelter Workers Union Local 598. The strike settlement, which was approved by the Federal Anti-Inflation Review Board, provided substantial increases in wages and other benefits in a three-year agreement which met the industry pattern in the district. Due to prevailing economic conditions, in particular the reduced level of nickel deliveries, the operations at Sudbury following the strike were resumed at approximately 70 per cent of the pre-strike production level. In this curtailment the East, Onaping and Longvack South mines, the Fecunis mill, and one of the two blast furnaces in the smelter were shut down and placed on

stand-by status. Production from the Fecunis mining block was reduced to five per cent of the normal rate. The operations at the other mines and plants were adjusted to suit the new level of nickel production.

The curtailment at Sudbury involved the temporary lay-off of approximately 400 employees, and work by contractors was terminated.

The production cutback is under continuing review and future production planning will depend mainly on conditions in world markets. In the meantime, properties at which operations have been suspended are being maintained on a standby basis.

Ore Treatment

During 1975, 3,041,000 tons were delivered to treatment plants from Company mines in the Sudbury area, compared with 4,337,000 tons delivered in 1974. Ore produced from the Manibridge Mine in Manitoba amounted to 189,000 tons compared with 184,000 tons in 1974.

Since February 1, 1975 the Company has retained Dumbarton Mines Limited as general contractor for the mining and milling of ore from the Bird River claims of its subsidiary, Maskwa Nickel Chrome Mines Limited. During the year a total of 357,000 tons was milled. Prior to the strike the concentrate produced was shipped to the smelter at Sudbury for treatment. Since then, the concentrate has been stockpiled at the mill site at Werner Lake, Ontario.

Falconbridge Nikkelverk Aktieselskap

The operating rate at the refinery in Kristiansand, Norway, was reduced in August because of the strike at Sudbury Operations and was maintained at about two thirds normal capacity for the remainder of the year in response to lower market demand. The labour force was adjusted accordingly.

The plant improvement program, which was begun in 1974 to improve the environment, working conditions and operating efficiency, was continued on an extended schedule. Completion of the program is now expected in 1979.

Under the terms of the collective agreement the average wage rate was increased substantially during the year. The existing collective agreement, which was signed in 1974, expires on March 31, 1976.

FALCONBRIDGE NICKEL MINES LIMITED

THE INTEGRATED NICKEL OPERATIONS (continued)

Capital Programs

Development of the Lockerby Mine and installation of facilities continued during the year. At year-end the mine was producing 16,000 tons per month, 25 per cent of design capacity.

Sinking of the internal shaft at the Onaping Mine and the Fraser No. 1 shaft continued during the year until August 21. The Onaping shaft reached 72 per cent of its designed depth and the Fraser shaft 84 per cent.

An exchange-of-ore agreement involving the Company's Fraser orebody was signed with The International Nickel Company of Canada, Limited (Inco) during the year. This exchange will make possible, for both companies, more efficient mining of an orebody which crosses the boundary between certain Falconbridge and Inco claims.

The construction phase of the Smelter Environmental Improvement Program at the Sudbury Operations commenced on schedule in March, 1975. Up to the time of the strike, foundation work and 23 per cent of the steel work had been completed on schedule and within budget. Following the strike this program was deferred. At the year-end, expenditures had totalled \$22,035,000.

The program of ventilation and dust control improvements in the smelter and mills was continued.

Expenditures (net) on mines and plants for 1975 with comparative figures for 1974, are set out in the table below:

	1975	1974
Property, plant and equipment	\$23,066,000	\$14,011,000
Development and preproduction	15,095,000	16,431,000
	<u>\$38,161,000</u>	<u>\$30,442,000</u>

Production

Production of nickel from the Company's Sudbury mines prior to the strike was comparable with that for the same period in 1974. During this time all plants operated at capacity except for Fecunis mill which reverted to a five-day week schedule beginning in June. The East mine was shut down for three weeks prior to the strike for repairs to the mine headframe.

Other Activities

Following approval by the Ontario Government of plans of subdivision in the Falconbridge and Onaping townsite areas, the Company was able to proceed with its plan to divest itself of most of its houses in the greater Sudbury area. During the year houses with a value of \$6,702,000 were sold and lots and additional properties valued at \$1,300,000 were available for sale at year-end. A commitment has been made to spend an estimated \$900,000 over the next five years for improvements in water and sewage facilities in the Falconbridge townsite. In addition, \$150,000 was committed for the Onaping townsite for similar facilities; half of this was expended in 1975.

An agreement has been signed with the Allis-Chalmers Corporation of Milwaukee for the lease of a major portion of the Company's facilities at the Nickel-Iron Pellet Refinery which will permit Sudbury Metals Company, a partnership of Allis-Chalmers Canada Limited and National Steel Corporation of Canada Limited, to operate the reduction plant using the Allis-Chalmers' process to produce reduced iron pellets. The lease is for six years, after which Falconbridge has a number of

options including the rights to use the Allis-Chalmers' technology in the Nickel-Iron Refinery facilities, which are being modified to suit the Allis-Chalmers' process. During the lease period Falconbridge is to receive rent on the basis of each ton of product shipped plus an annual fee.

Ore Reserves

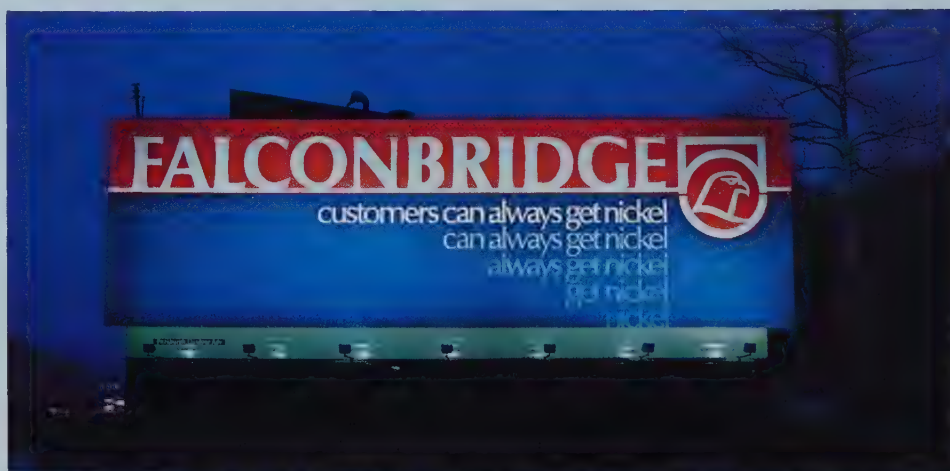
The Company's ore reserves at the end of 1975 were 1,479,000 tons lower than at the end of 1974, after mining 3,230,000 tons during the year. However, the total tonnage of contained nickel and copper metal is only marginally different from that of 1974, due to the addition of better than average grade ore.

New tonnage discovered during 1975 was not sufficient to replace, in addition to the tonnage mined, those ore blocks that had to be dropped from reserves due to changing economic conditions.

At Sudbury Operations, diamond drilling in the Onaping area has defined a new zone of above-average grade mineralization, which is included in reserves.

Total proven and probable reserves of the Company's Sudbury and Manibridge operations were as follows:

Year	Tons of Ore	Tons of Contained Metal		Average Grade (%)	
		Nickel	Copper	Nickel	Copper
1975	89,099,000	1,279,000	605,000	1.43	0.68
1974	90,578,000	1,266,000	615,000	1.40	0.68



Falconbridge billboard advertising in Pittsburgh attracts the attention of visiting steelmakers from around the world.

MARKETING ACTIVITIES

FALCONBRIDGE INTERNATIONAL LIMITED

Demand

During 1975, a substantial oversupply of nickel developed, due mainly to reductions in specialty steel production which dropped to as low as 60 per cent of the 1974 output in important international markets. Almost every major end-use sector including construction, automobiles, shipbuilding, power generation and chemical processing shared in the downturn. Unlike most previous cycles, a simultaneous weakness developed in both capital and consumer goods demand. Capital projects in many major end-use sectors for nickel were cancelled or postponed.

Falconbridge total nickel shipments declined 32 per cent from 1974 while industry shipments were down at least 35 per cent.

Towards the end of 1975, it became apparent that industrial activity in the United States had passed its low point and that a recovery was underway. Improved demand in the automotive and consumer durable sectors resulted in increased usage of stainless steel strip and high nickel alloys. While improved conditions have not yet been felt in Europe, there is reason to expect some improvement there by mid-1976.

The 1975 consumption decline together with the unprecedented rates of inflation in capital and operating costs throughout the nickel industry could have a severe long range effect on future supply. Several projects in the nickel industry, troubled by delays, have experienced substantial cost escalation while a number of others have been cancelled or shelved.

Technology

As in past years, the stainless and alloy steel industry consumed more than half the nickel used. The growing utilization of argon-oxygen and other degassing processes in stainless and alloy steel mills throughout the world continues to increase the use of ferronickel and other charge materials.

The low impurity levels of Falconbridge ferronickel provide flexibility for both charging and finishing additions in stainless and alloy steelmaking.

Producers of nickel-base alloys used for increasingly demanding applications such as air and land-based gas turbine engines, seek low levels of harmful trace elements such as lead, zinc and selenium. The high purity of Falconbridge electrolytic nickel and NICKEL 98 meets their very critical requirements.

Prices

In 1975, significant cost escalation which affected capital and operating costs of every kind made necessary a 9.5 per cent increase in the base price of electrolytic nickel to U.S. \$2.20 per pound. Unfortunately, no easing in this upward price trend is foreseen. The financing of new capacity beyond projects currently under construction is a formidable and complex problem which the nickel industry must overcome to ensure that future demand is satisfied.

Services

Falconbridge International Limited continues to conduct the commercial activities for most members of the Falconbridge Group of companies. Falconbridge Europe S.A., headquartered in Brussels, Belgium, responds to market needs in Europe and the U.K.

In addition to nickel, copper and other by-products produced by the Integrated Nickel Operations as well as ferronickel produced by Falconbridge Dominicana, Falconbridge International Limited also negotiates contracts for a variety of ferrous and non-ferrous metal concentrates and refined precious metals produced by Falconbridge associated and subsidiary mining companies. Products handled by the Commodity Marketing section include copper, zinc, lead and iron ore concentrates, as well as refined gold, platinum, palladium and other platinum group metals. Shipments are made to all major world markets including Europe, Japan and North America. The activities of Commodity Marketing reflect the diversified product and geographic mix of the Falconbridge Group.

Other marketing support to the Group during the year included product and market research, technical service, transportation and distribution management and marketing communications.

Management 1975

President and Managing Director	W. G. Dahl
Senior Vice-President	D. M. Henderson
Vice-President, Administration	E. H. Holm

Falconbridge does it all—
from discovery to delivery.

The presence of nickel-bearing ore in the Dominican Republic first attracted Falconbridge in 1955. During the next fourteen years, Falconbridge carried out thorough exploration and metallurgical programs. Researched all known methods of nickel recovery. Then originated, engineered and patented, a process that proved economically practical.

Within twenty-four months a \$195 million complex, Falconbridge Dominicana, C. por A., was producing ferronickel of exceptional grade for waiting world markets. Capability in all phases of exploration, development and production. It's the mark of a major producer of nickel, the improvement, metal. Electrolytic nickel, NICKEL 98 granules, and ferronickel. If you were a Falconbridge customer you'd be in a good position to plan ahead.



Telephone 415 853 7300 Telex 02 3720

One in a series of Falconbridge product advertisements appearing in international markets.

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Alminex Limited

Earnings by Alminex Limited in 1975 were \$4,909,000, as compared with \$4,852,000 in 1974. This level of earnings was maintained despite lower production and the greater impact of federal and provincial income taxes arising from higher prices received for products. Income before income taxes in 1975 was \$12,055,000, as compared with \$8,307,000 a year earlier, an increase of \$3,748,000, but income taxes increased by \$3,691,000. Gross income from sale of all products after provincial and freehold royalties was \$19,593,000 (1974 — \$14,319,000). Royalties deducted in determining this gross income totalled \$9,656,000 (1974 — \$6,979,000), approximately the same 33 per cent effective rate paid in 1974. Exploration expenditures of \$3,310,000 in 1975 exceeded the prior year's total by \$991,000 and represented a vastly expanded program of exploration. Total provisions for write-offs of depletion, depreciation and surrendered leases maintained a level very near that of 1974. Dividends paid during the year remained unchanged at 24 cents per share, or a total of \$1,839,000.

In response to federal and provincial restrictions on exports to the United States, Alminex's gross sales of crude oil and natural gas liquids declined 2.3 per cent, to an average of 8,404 barrels per day. Gross sales of natural gas also declined 3.6 per cent, to an average of 26,162 million cubic feet per day. This trend, however, is expected to be reversed late in 1976, when new production, both in Alberta and the United States, will come on stream. Gross sulphur sales in 1975 declined 40.2 per cent, to 3,336 long tons, due principally to the continuing soft market demand.

Proven and probable reserves of crude oil and natural gas liquids at year-end, inclusive of royalty, totalled 42,912,000 barrels, a decrease of 5.2 per cent from 1974. While several discoveries have been made, significant new reserves have not yet been proven. Reserves of natural gas totalled 177.6 billion cubic feet, down 3.6 per cent. New reserves in the United States, located principally in the Gulf of Mexico, failed to offset the year's production. Sulphur reserves have been severely reduced to 221,000 long tons, due to a deterioration in the productive capacity of

the Harmattan Leduc reservoir, Alminex's principal source of supply.

Alminex's drilling program increased markedly over that of the previous year. It participated, either directly or as a farmor, in 108 exploratory and development wells, up from 75 wells in 1974. This program resulted in 11 oil wells and 54 gas wells. At year-end, five wells were under way, including an exploratory test (Alminex's interest, 2.5 per cent) in the Bay of Bengal, offshore India.

Although the federal budget of June 23, 1975, did not reverse the trend of higher taxation, there appears to be a growing awareness by all levels of government that a viable industry is necessary to help avert Canada's impending oil and natural gas crisis. Higher commodity prices, royalty reductions and the incentive program of the Alberta Government are all positive steps in this direction.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	7,662,661	3,913,871	51.1%

Production	Year ended December 31		
	1975	1974	% Decrease
Crude oil and natural gas liquids — barrels per day	8,404	8,600	2.3
Gas — thousands of cubic feet per day	26,162	27,129	3.6
Sulphur — long tons	3,336	5,580	40.2

Reserves (proven and probable)	As at December 31	
	1975	1974
Crude oil and natural gas liquids — barrels	42,912,000	45,277,000
Natural gas — billions of cubic feet	177.6	184.3
Sulphur — long tons	221,000	316,000

Financial	Year ended December 31	
	1975	1974
Gross income from sale of products less royalties	\$19,593,000	\$14,319,000
Earnings before write-offs for depreciation, depletion and property surrendered	7,452,000	7,431,000
Income tax	7,146,000	3,455,000
Earnings after all charges	4,909,000	4,852,000
Dividends paid	1,839,000	1,839,000
Working capital	6,633,000	5,361,000

Falconbridge interest* in	Per share of Falconbridge	
Earnings after all charges	\$ 2,508,000	\$.50
Dividends paid	939,000	.19
Excess of earnings over dividends	<u>\$ 1,569,000</u>	<u>\$.31</u>

*Before consolidated adjustments

Management 1975

President	J. E. Reid
Vice-President and General Manager	J. N. Stephen

Falconbridge Copper Limited

Earnings for the year amounted to \$655,000 or 5 cents per share. The earnings in 1974 amounted to \$8,684,000 or 72 cents per share.

The Company paid a single dividend of 10 cents per share during 1975 compared with four quarterly dividends of 20 cents per share in 1974. Expenditures on property, plant and equipment during 1975 amounted to \$5,224,000 compared with \$9,818,000 in the previous year. Preproduction and development expenditures totalled \$2,176,000 compared with \$5,150,000 in 1974.

Surface and underground development expenditures during the year totalled \$2,536,000, considerably below the \$3,993,000 spent in 1974.

Production of copper and zinc during the year, including preproduction credits, totalled 77,806,000 and 76,226,000 pounds respectively compared with 58,729,000 and 38,807,000 pounds respectively in 1974. While copper production was higher at both the Opemiska and Lake Dufault divisions, the bulk of the increase reflects Falconbridge Copper's share of the output from the Sturgeon Lake Joint Venture operation since the start of commercial production on February 1, 1975.

Lake Dufault Division

Operating profit is calculated at \$1,235,000 compared with \$7,681,000 for 1974. Higher costs and lower metal prices accounted for these decreased earnings.

The average price received for copper contained in concentrates produced during the year was 55 cents per pound, compared with 82 cents per pound in 1974. The average price received for zinc was 36 cents per pound compared with 39 cents per pound a year earlier.

Copper production was slightly higher than in the previous year and zinc production slightly lower. Mill head grade averaged 2.50 per cent copper and 3.35 per cent zinc. The comparative mill figures for 1974 were 2.38 per cent copper and 3.54 per cent zinc.

Production of copper totalled 26,168,000 pounds compared with 24,453,000 pounds in 1974. Zinc

production totalled 29,987,000 pounds compared with 30,838,000 pounds in 1974.

Ore reserves at the end of the year were calculated to be 1,859,000 tons with an average grade of 3.56 per cent copper and 4.62 per cent zinc.

Following installation of a surface mining plant, shaft sinking operations have started at the Corbet mine. This shaft is being sunk to explore the copper-zinc zone which was discovered in 1974 by surface drilling 7,000 feet south-west of the Millenbach shaft.

Opemiska Division

An operating loss of \$1,089,000 was sustained for the year. Although

production of copper increased during 1975, higher costs and lower prices more than offset the benefit of this increased production.

The average price received for copper in concentrates, was 55 cents per pound compared with 83 cents in 1974.

Production of copper during the year amounted to 36,766,000 pounds from 952,000 tons of ore, averaging 2.02 per cent copper. Production of copper during 1974 was 32,458,000 pounds from 927,000 tons of ore, averaging 1.85 per cent copper.

Ore reserves at the end of 1975 were calculated to be 5,690,000 tons with an average grade of 2.39 per cent copper.

Shaft sinking at the Cooke mine has been completed and development is in progress.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	12,970,125	6,509,689	50.2%

Financial	Year ended December 31	
	1975	1974
Revenue from metal shipments	\$79,999,000	\$64,993,000
Earnings before amortization and depreciation	8,960,000	13,036,000
Earnings after all charges	655,000	8,684,000
Dividends paid	1,297,000	9,590,000
Working capital	18,843,000	16,915,000

Falconbridge interest* in	Per share of Falconbridge	
Earnings after all charges	\$ 329,000	\$.07
Dividends paid	651,000	.13
Excess dividends over earnings	\$ 322,000	\$.06

*Before consolidation adjustments.

Management 1975

Chairman of the Board, M. A. Cooper
 President, J. R. Smith
 Manager, Opemiska Division, J. P. Bonneville
 Manager, Lake Dufault Division, W. R. Wright
 Manager, Sturgeon Lake Joint Venture, H. R. Graham

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Falconbridge Copper Limited (Continued)

Sturgeon Lake Joint Venture

The Sturgeon Lake Joint Venture operation reached commercial production status on February 1, 1975. Total mine tonnage treated during the year, including preproduction ore, amounted to 377,000 tons of ore, having an average grade of 2.78 per cent copper, 9.07 per cent zinc and 5.31 ounces silver per ton. Total production from this operation amounted to 15,923,000 pounds of copper, 49,506,000 pounds of zinc and 977,000 ounces of silver of which the Company's share was 93.4 per cent.

Ore reserves at the end of the year were calculated to be 1,804,000 tons with

an average grade of 2.85 per cent copper, 10.28 per cent zinc, 1.36 per cent lead, 5.66 ounces silver per ton and

0.022 ounce gold per ton.

The Company's share of operating profit amounted to \$1,797,000.

Sturgeon Lake Mines Limited

	As at December 31, 1975		
	Outstanding	Held by Falconbridge Copper	
Capitalization			
Common shares	1,000,000	670,000	67%

Financial

The financial statement is consolidated with that of Falconbridge Copper Limited

Management 1975

President	J. R. Smith
Manager	H. R. Graham

Fahralloy Canada Limited

The dollar volume of sales in 1975, reflecting the exceptionally heavy demand for castings which prevailed until late in the year, was the highest ever at \$14,970,000, some 38 per cent above the 1974 level.

Earnings in 1975 were \$1,519,000, more than four times the 1974 total.

On July 1, 1975 Fahralloy Canada Limited sold its 50 per cent interest in Fahralloy-Wisconsin Limited. As a consequence the equity interest in the earnings of Fahralloy-Wisconsin recorded below is for a period of six months in 1975 and twelve months in 1974.

On November 7, 1975 an offer from Fahralloy-Wisconsin Limited to purchase the assets, less cash, and to assume the liabilities, excluding tax liabilities, of

Fahralloy Canada Limited was accepted in principle. The purchase became

effective on January 1, 1976 for a transfer price of \$5,800,000.

	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares	701	701	100%

Financial

	Year ended December 31	
	1975	1974
Sales	\$14,970,000	\$10,835,000
Earnings before depreciation	1,671,000	620,000
Earnings after all charges	1,338,000	289,000
Interest in earnings of Fahralloy-Wisconsin Limited	181,000	57,000
Total earnings	1,519,000	346,000
Working capital	5,426,000	3,059,000

Management 1975

Chairman of the Board	J. J. Mather
President and Managing Director	C. M. Woodruff

New Quebec Raglan Mines Limited

The property was kept in a dormant state with only minor maintenance work being carried out during the year. With the continuing inflationary pressures on capital and operating costs and the depressed state of world metal prices it is not feasible to consider production from the property at the present time.

Expenditures during the year consisted mainly of property maintenance and insurance charges. Working capital at year-end amounted to \$216,000 consisting mainly of cash and short-term investments.

	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Capitalization			
Common shares			
New Quebec Raglan Mines Limited	7,760,294	5,296,490	68.3%
Preferred shares			
Raglan Quebec Mines Limited			
6% preferred	7,500,000	7,500,000	100%
8% preferred	7,500,000	7,500,000	100%
6½% preferred	2,261,029	2,261,029	100%

Management 1975

President	J. R. Smith
-----------	-------------

Falconbridge Dominicana, C. por A.

Net earnings for the year were RD \$8,801,000 of which RD \$440,000 were transferred to the legal reserve. (RD \$1.00 equals U.S. \$1.00 at the official rate of exchange.) This compares with net earnings of RD \$2,112,000 in 1974. The increased earnings reflect the benefit of the price increases announced during 1974, offset by the impact of continuing inflation and world-wide economic recession. In view of the prevailing economic conditions which resulted in a reduced demand for the Company's product, the net earnings of the Company for the year should be considered satisfactory. In spite of the substantial earnings, the Company's cash position remains strained because of the funds required to satisfy the various trust accounts established under the financing agreements and the debt repayment of RD \$12,484,000 during the year. In addition, interest of RD \$15,553,000 was paid on the long-term debt.

The base price of ferronickel was increased on September 5, 1975 from U.S. \$2.01 to U.S. \$2.18 per pound of nickel contained; however, significant benefits from this price adjustment were not realized by the Company during the year due to competitive pricing practices in the industry. Shipments of nickel in ferronickel during 1975 were 52,329,000 pounds compared with 68,709,000 pounds in 1974.

Net expenditures during the year on property, plant and equipment amounted to RD \$1,934,000. The long-term debt at the end of 1975 was RD \$142,055,000 exclusive of RD \$16,552,000 which matures in 1976. Included in the long-term debt are mortgage borrowings for urban development amounting to RD \$2,277,000 and unrealized loss of RD \$2,013,000 resulting from conversion of the non-U.S. portion of the International Bank for Reconstruction and Development (World Bank) loan at prevailing exchange rates.

The shareholders of the Company, at an Extraordinary General Meeting, approved that the authorized capital of the Company be increased from RD \$20,000,000 to RD \$50,000,000 gold pesos, and that RD \$15,000,000 of retained earnings be capitalized by issuing to shareholders one additional share for each share held.

During the year approximately 2,300,000 dry short tons of ore were mined and delivered to the plant. The plant has continued to operate very satisfactorily; however, the reduced demand of the nickel-consuming industries necessitated a corresponding decrease in production in the second half of the year to avoid an excessive build-up of inventory.

The ore reserves at the year-end were 64,000,000 dry short tons grading 1.58 per cent nickel.

Exploration was continued within the Concession Area and the results of geophysical, geochemical, and geological work are currently being evaluated.

The continuing loyalty and efforts of all personnel engaged in the enterprise are reflected in the satisfactory results obtained in a most difficult year. The interest of officials of the Government of the Dominican Republic is gratefully acknowledged.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	3,000,000	1,971,524	65.7%

Production	Year ended December 31	
	1975	1974
Ore mined and delivered to plant — dry short tons	2,300,000	2,300,000
Deliveries of ferronickel — nickel content in pounds	52,329,000	68,709,000

Financial (RD \$1.00 equals U.S. \$1.00)		
Revenue from metal shipments	RD \$104,492,000	RD \$101,517,000
Earnings before interest on debt, depreciation and amortization	36,376,000	26,636,000
Earnings after all charges	8,801,000	2,112,000
Working capital	33,172,000	29,216,000
Long-term debt (excluding RD \$16,552,000 in 1975 current liabilities)	142,055,000	156,342,000

Falconbridge interest * in		Per share of Falconbridge
Earnings after all charges	Cdn. \$ 6,102,000	\$1.22

* Before consolidation adjustments.

Management 1975

President	M. A. Cooper
Executive Vice-President	E. L. Healy
Vice-President and General Manager	I. H. Keith

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Giant Yellowknife Mines Limited

Earnings for the year decreased to \$305,000 from \$2,779,000 in 1974. Although tons milled increased substantially during the year, the grade of ore decreased resulting in lower overall ounces of gold produced. This, coupled with the lower gold price received during the year, resulted in lower revenues. Overall costs increased because of higher labour and material expenses and large outlays for pit development and outside exploration. The combination of lower revenues and higher costs resulted in the substantial drop in earnings.

Production in 1975 from Giant Yellowknife Mines Limited and its subsidiaries, Lolor Mines Limited and Supercrest Mines Limited, increased 19.5 per cent from 1974 to 392,000 tons. The new open pit established at "A" shaft provided 25 per cent of the mill feed and at year-end 98,000 tons of this ore were stockpiled for processing in 1976. Grades fell significantly, resulting from the open-pit development ore and from mining at a higher rate from long-hole stopes in a leaner part of the mine to keep up production. Total developed ore reserves as at December 31, 1975 were 1,950,000 tons at 0.33 ounce of gold per ton compared with 2,400,000 tons averaging 0.33 ounce of gold per ton at the end of 1974.

Outside exploration expenditures were

at an all-time high with drill programs carried out for gold on the Arcadia and Salmita properties and for base metals in the Yukon and Northwest Territories and

in Quebec. Encouraging results were obtained at Salmita and in Quebec. Both properties require follow-up drilling to assess their potential.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	4,303,050	824,413	19.2%

Production (Consolidated)	Year ended December 31	
	1975	1974
Tons milled	392,000	328,000
Gold produced — ounces	98,000	102,000

Financial (Consolidated)

Revenue from metals produced	\$15,521,000	\$16,518,000
Earnings before amortization and depreciation	1,118,000	2,914,000
Earnings after all charges	305,000	2,779,000
Dividends paid — 40c per share 1975	1,721,000	
— 50c per share 1974		2,151,000
Working capital	7,803,000	10,408,000

Falconbridge interest* in

		Per share of Falconbridge
Earnings after all charges	\$ 59,000	\$.01
Dividends paid	331,000	.06
Excess of dividends over earnings	\$ 272,000	\$.05

*Only dividends received by Falconbridge are reflected in consolidated earnings.

Management 1975

President and Managing Director	J. R. Smith
Vice-President Operations	D. J. Emery

Western Platinum Limited

Earnings for the year ended September 30, 1975 amounted to R2,452,000* compared with R6,948,000 in 1974. The decrease is attributable to lower production occasioned by shortages and turnover of labour and substantial increases in labour and material costs. Sales revenues totalled R19,276,000 compared with R20,628,000 in 1974.

Capital expenditures totalled R1,573,000 compared with R1,131,000 in 1974. Principal items of expenditure included improvements and additions to African housing and amenities, underground equipment and development for the less labour intensive method of up-dip stoping and

development of the East Decline and Noel Shaft Sub-Incline. An agreement was concluded with the Lonrho Refinery for the refining of rhodium, ruthenium and iridium from precious metal sludges.

The long term debt was reduced by R650,000 to R17,800,000. Working capital increased from R9,247,000 at September 30, 1974 to R10,051,000 at September 30, 1975.

Capitalization	As at September 30, 1975		
	Outstanding	Held by Falconbridge	
Ordinary shares	10,000,000	2,500,001	25%

Production	Year ended September 30	
	1975	1974
Platinum group metals — ounces	128,000	139,000
Nickel — metric tons	1,566	1,920

Management 1975

Joint Managing Directors	S. C. Newman
	A. E. Pugsley

*Rand = Cdn. \$1.17 at December 31, 1975

Indusmin Limited

Indusmin has three major operating divisions, Industrial Minerals, Construction Materials and Foundry.

The Industrial Minerals division operates three quarries and process plants in Ontario and Quebec producing the minerals nepheline syenite and silica for the glass, ceramic, paint, chemical and other industries. Market conditions were generally depressed in 1975 due to the recession but there was evidence of recovery by year-end.

The Construction Materials division consists of two quarrying and process operations located within 30 miles of Toronto, producing limestone aggregates. The low level of activity in the construction industry in 1975 held sales to 2¼ million tons, well below the 3 million ton level of 1974.

The Foundry division was acquired July 1, 1975 through the purchase of all the outstanding common shares (representing ownership) of Fahrallloy-Wisconsin Limited for \$1,800,000. Fahrallloy-Wisconsin Limited, located in Orillia, is a producer of centrifugally-cast ferrous alloys. The statements below

include the operating results of this wholly-owned subsidiary, for the last six months in 1975.

The Foundry division was expanded on January 1, 1976 through the acquisition

by Fahrallloy-Wisconsin Limited of all the assets, less cash, and the assumption of all the liabilities, except income tax liabilities, of Fahrallloy Canada Limited. The transfer price amounted to \$5,800,000.

Capitalization	As at December 31, 1975	
	Outstanding	Held by Falconbridge
Common shares	1,167,901	806,030 69%

Financial	Year ended December 31	
	1975	1974
Sales	\$22,263,000	\$17,863,000
Earnings before amortization and depreciation	4,135,000	3,574,000
Earnings after all charges	1,917,000	1,396,000
Dividends paid — 75¢ per share	876,000	876,000
Working capital	3,589,000	2,269,000

Falconbridge interest* in

		Per share of Falconbridge
Earnings after all charges	\$ 1,323,000	\$.26
Dividends paid	605,000	.12
Excess of earnings over dividends	\$ 718,000	\$.14

*Before consolidation adjustments.

Management 1975

President and Managing Director

J. J. Mather

Oamites Mining Company (Proprietary) Limited

Earnings for the year were \$1,129,000 compared with \$1,912,000 for 1974. The decrease is attributable to lower copper prices and increased costs, offset to some extent by greater production.

Although tonnage milled declined by eight per cent to 568,000 metric tons, copper production increased by 1,093,000 pounds to 15,106,000 pounds. This was achieved through improved grade and mining control underground and higher metallurgical recovery. Development kept pace with the requirements of the mining operations, and installation of the 34-level crusher and conveyor belt decline to this elevation was near completion at year-end.

Working capital increased by \$280,000 after expenditure of \$459,000 on plant and fixed assets and dividend payments of \$1,121,000.

Capitalization	As at December 31, 1975	
	Outstanding	Held by Falconbridge
Common shares	253,680	190,000 74.9%

Production	Year ended December 31	
	1975	1974
Tons ore milled (metric)	568,000	617,000
Mill head grade (% copper)	1.31	1.13
Mill recovery (%)	93.40	91.32
Concentrates produced (dry metric tons)	19,000	19,000
Recoverable copper — pounds	15,106,000	14,013,000

Financial

Revenue from sales of concentrates	\$10,864,000	\$13,660,000
Earnings before amortization and depreciation	2,041,000	3,000,000
Earnings after all charges	1,129,000	1,912,000
Dividends paid	1,121,000	
Working capital	1,845,000	1,565,000

Falconbridge interest* in

		Per share of Falconbridge
Earnings after all charges	\$ 846,000	\$.17
Dividends paid	840,000	.17
Excess of earnings over dividends	\$ 6,000	\$ —

*Before consolidation adjustments.

Management 1975

Chairman	A. E. Pugsley
Managing Director	H. H. Bird
General Manager	R. W. Banghart
Mine Manager	D. Hugo

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

United Keno Hill Mines Limited

Earnings for the year were \$2,937,000 compared with \$5,785,000 in 1974, with increased costs and lower production accounting for the decrease. Both the tons milled and the grade of ore were slightly below the previous year's levels.

Ore reserves, both proven and probable, decreased during the year from 222,000 tons averaging 42 ounces silver per ton at the end of 1974 to 208,000 tons averaging 37 ounces silver per ton at the end of 1975. Diamond drilling below the 375 level in the Husky Mine delineated a modest tonnage of average grade ore. This area, which is below the shaft bottom, has further potential and a decision will be made early in 1976 as to the economics of its development.

Surface exploration disclosed one area of interest which will require underground exploration to obtain further information.

Agreement was reached with Asarco Inc. to proceed with an estimate of the cost to carry out an in-depth feasibility study of the DEF-Minto deposit. This copper deposit is located approximately 175 miles north of Whitehorse in the Yukon Territory.

"Grass roots" exploration continued in the Yukon Territory but nothing of significance was found.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	2,470,000	1,195,989	48.4%

Production	Year ended December 31	
	1975	1974
Tons ore milled	91,000	93,000
Ounces silver produced	2,918,000	3,238,000
Pounds lead produced	6,407,000	6,735,000
Pounds zinc produced	621,000	545,000

Financial		
Revenue from metal shipments	\$15,696,000	\$17,481,000
Earnings before depreciation and amortization	3,374,000	6,135,000
Earnings after all charges	2,937,000	5,785,000
Dividends paid — 70c per share 1975	1,729,000	
— \$1.00 per share 1974		2,470,000
Working capital	13,851,000	13,352,000

Falconbridge interest* in	Per share of Falconbridge	
Earnings after all charges	\$ 1,422,000	\$.28
Dividends paid	837,000	.16
Excess of earnings over dividends	\$ 585,000	\$.12

*Before consolidation adjustments.

Management 1975

President	F. A. Godfrey
Mine Manager	G. S. Dundas

Wesfrob Mines Limited

There was a net loss of \$1,335,000 in 1975 compared with a profit of \$643,000 in 1974. The loss was due to lower copper prices, sharply escalated operating costs, development charges for the new underground zone and royalty charges of \$570,000. The royalties are based on a percentage of net smelter return rather than on profit.

Demand for iron concentrates was strong throughout most of the year with some slackening in the last quarter, especially for the sinter feed product. Demand for copper concentrates was low, with the mine carrying a high inventory for most of the period.

Open-pit mining is scheduled for completion in 1977, and in anticipation of this, development of the Dela-Blujay underground zone has started. At year-end, the main haulage decline had been completed and stope development was on schedule.

Capitalization	As at December 31, 1975		
	Outstanding	Held by Falconbridge	
Common shares	3,832,994	3,832,994	100%

Production	Year ended December 31	
	1975	1974
Iron concentrates — dry metric tons	995,000	912,000
Copper concentrates — dry metric tons	11,000	10,000
Copper in concentrate — pounds	4,545,000	4,672,000

Financial		
Revenue from metals produced	\$13,571,000	\$12,450,000
Earnings before amortization and depreciation	1,066,000	2,760,000
Earnings (loss) for the period	(1,335,000)	643,000
Working capital	3,005,000	2,697,000

Management 1975

President	P. L. Munro
Mine Manager	K. Blower



FALCONBRIDGE NICKEL MINES LIMITED

Offices

Corporate Offices — P.O. Box 40,
Commerce Court West, Toronto,
Ontario, Canada M5L 1B4
Telephone (416) 863-7000.
Telex 02-2720. Cables "Falconbrij"

Sudbury Operations, Main Office —
Falconbridge, Ontario P0M 1S0

Vancouver Office —
1112 West Pender Street,
Vancouver, B.C. V6E 2S1

Among Wholly-Owned Subsidiaries

Falconbridge Nikkelverk Aktieselskap

Kristiansand S., Norway
Chairman of the Board — R. Jahnsen
Managing Director — E. Wigstol

Falconbridge International Limited

P.O. Box 40, Commerce Court West,
Toronto, Ontario, Canada M5L 1B4
Telephone (416) 863-7300.
Telex 02-2720. Cables "Falconbrij"
President and Managing Director —
W. G. Dahl

Wesfrob Mines Limited

1112 West Pender Street,
Vancouver, B.C. V6E 2S1
Vice-President —
President — P. L. Munro
Mine Manager — Kenneth Blower,
Tasu, Queen Charlotte Islands, B.C.

Lakefield Research of Canada Limited

Lakefield, Ontario K0L 2H0
Manager — A. G. Scobie

Operating Locations

Ontario

Sudbury Operations —

General Manager — G. A. Allen

Mines — Falconbridge,

East*, Strathcona, Hardy Open Pit,
Fecunis Lake, Onaping*, North,
Longvack South*

(* Temporarily closed; on stand-by)

Mines Under Development —

Lockerby, Fraser*

(* Temporarily closed; on stand-by)

Concentrators — Falconbridge,

Strathcona, Fecunis Lake*

(* Temporarily closed; on stand-by)

Smelter — Falconbridge

Manitoba

Manibridge Mine and Mill—

Near Wabowden, Manitoba
Manager — G. A. Vary

Research Laboratories

Falconbridge Metallurgical Laboratories,
Richmond Hill, Ontario; Falconbridge,
Ontario; Kristiansand S., Norway;
Lakefield Research of Canada Limited,
Lakefield, Ontario

Exploration Offices

Toronto, Sudbury and Thunder Bay,
Ontario; Quebec and Noranda, Quebec;
Vancouver, B.C.; Winnipeg, Manitoba;
Whitehorse, Yukon Territory; Santo
Domingo, Dominican Republic;
Oslo, Norway; Rio de Janeiro,
Brazil; Johannesburg, South Africa;
Windhoek, South West Africa;
Manila, Philippines.

Products

Products of Falconbridge Nickel Mines
Limited and affiliated companies
include: Nickel, copper, cobalt, gold,
silver, platinum, palladium, iridium,
rhodium, ruthenium, selenium, lead, iron
ore, zinc, cadmium, nepheline syenite,
silica, limestone aggregates, liquid
sulphur dioxide, oil, natural gas, carbon
and high-alloy steel castings, and other
products for consumer and industrial
use

Solicitors

Tilley, Carson & Findlay, Toronto

Auditors

Clarkson, Gordon & Co., Toronto

Transfer Agents and Registrars

Crown Trust Company, Toronto
Montreal, Vancouver and Calgary

Registrar and Transfer Company,

New York and Jersey City, U.S.A.

FALCONBRIDGE



TM

©1966 FALCONBRIDGE NICKEL MINES LIMITED

Designed and Printed in Canada.